



Comprehensive Annual Financial Report

City of Milwaukee, Wisconsin

for the Year Ended December 31, 2008

**W. Martin Morics
Comptroller**



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Office of the Comptroller**

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CITY OF MILWAUKEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Exhibit or Table Number	Page Number
INTRODUCTORY SECTION		
Comptroller's Letter of Transmittal		5
Organization Chart		12
Names of Principal Officials		13
FINANCIAL SECTION		
Report of Independent Auditors		17
Management's Discussion and Analysis		19
BASIC FINANCIAL STATEMENTS:		
Government-wide Financial Statements:		
Statement of Net Assets	1	36
Statement of Activities	2	38
Fund Financial Statements:		
Balance Sheet - Governmental Funds	A-1	42
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	A-2	45
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	A-3	46
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-4	49
Statement of Net Assets - Enterprise Funds	B-1	50
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Enterprise Funds	B-2	53
Statement of Cash Flows - Enterprise Funds	B-3	54
Statement of Fiduciary Net Assets - Fiduciary Funds	C-1	56
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	C-2	57
Combining Statement of Net Assets - Component Units - Enterprise Funds	D-1	58
Combining Statement of Activities - Component Units - Enterprise Funds	D-2	60
NOTES TO THE FINANCIAL STATEMENTS		64
REQUIRED SUPPLEMENTARY INFORMATION:		
Budgetary Comparison Schedule - General Fund	E-1	96
Schedule of Funding Progress.....	E-2	97
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....		98

CITY OF MILWAUKEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Exhibit or Table Number	Page Number
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES:		
Combining Balance Sheet - Nonmajor Governmental Funds	F-1	102
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	F-2	103
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Grant and Aid Projects	F-3	104
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Community Development Block Grant	F-4	105
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Economic Development	F-5	106
Combining Statement of Net Assets - Nonmajor Enterprise Funds.....	G-1	108
Combining Statement of Revenue, Expenses, and Changes in Fund Net Assets - Nonmajor Enterprise Funds	G-2	109
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	G-3	110
Combining Schedule of Changes in Assets and Liabilities - Agency Funds	H-1	112
MISCELLANEOUS FINANCIAL DATA:		
Combined Schedule of Delinquent Taxes Receivable	I-1	116
Combined Schedule of Cash and Cash Equivalents and Investments -Reporting Entity	I-2	117
Debt Service Requirements to Maturity - General Obligation Bonds and Notes	I-3	118
Debt Service Requirements to Maturity - Water Revenue and Disclosure of Bond Coverage	I-4	126
Debt Service Requirements to Maturity - Sewerage System Revenue and Disclosure of Bond Coverage	I-5	127
Schedule of Account Balances - Capital Projects by Purpose	I-6	128
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Capital Projects by Purpose..	I-7	130
General Fund - Schedule of Revenues - Budget and Actual	I-8	132
General Fund - Schedule of Expenditures - Budget and Actual	I-9	133
STATISTICAL SECTION		
Net Assets by Component	1	137
Changes in Net Assets	2	138
Fund Balances, Governmental Funds	3	140
Changes in Fund Balances, Governmental Funds	4	141
Assessed and Estimated Actual Value of Taxable Property	5	142
Direct and Overlapping Property Tax Rates	6	143
Principal Property Taxpayers	7	144
Property Tax Levies and Collections	8	145
Ratios of Outstanding Debt by Type	9	146
Computation of Direct and Overlapping Debt	10	147
Legal Debt Margin Information	11	148
Pledged Revenue Coverage	12	150
Demographic and Economic Statistics	13	151
Principal Employers	14	152
City Government Employees by Function/Program - Adopted Budget Positions	15	153
Operating indicators by Function/Program	16	154
Capital Asset Statistics by Function/Program	17	155

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Office of the Comptroller

August 28, 2009

W. Martin Morics, C.P.A.
Comptroller

Michael J. Daun
Deputy Comptroller

John M. Egan, C.P.A.
Special Deputy Comptroller

Craig D. Kammholz
Special Deputy Comptroller

Honorable Tom Barrett, Mayor
The Members of the Common Council
City of Milwaukee
Milwaukee, WI 53202

Dear Mayor and Council Members:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Milwaukee for the fiscal year ended December 31, 2008. This report is prepared to satisfy the City Charter requirement for the Office of the Comptroller to prepare an annual statement of revenues and expenditures and the Common Council's request for an independent examination of financial activity of the City of Milwaukee. The report was prepared by the Office of the Comptroller in conformity with accounting principles generally accepted in the United States of America (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and other authoritative accounting standard setting bodies. This report presents the financial position of the City of Milwaukee and its component units. The CAFR reflects the actual financial activity of the past year rather than proposed activity for a future year, as presented in the City's Annual Budget.

This report consists of management's representation concerning the finances of the City of Milwaukee. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Milwaukee and the component units are responsible for establishing and maintaining an internal control structure designed to ensure that the assets entrusted are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

An independent firm of licensed certified public accountants, KPMG LLP, has audited the City of Milwaukee's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Milwaukee for the fiscal year ended December 31, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Milwaukee's financial statements for the fiscal year ended December 31, 2008, are fairly presented in conformity with GAAP.

The GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

The Comprehensive Annual Financial Report is presented in three sections. The **Introductory Section** includes a list of principal officials, an organizational chart, and this letter of transmittal, which highlights significant aspects of the City and particular financial issues. The **Financial Section** includes the independent auditors' report, Management's Discussion and Analysis, the basic financial statements (government-wide statements and fund statements), notes to the financial statements, other required supplementary information (RSI), combining financial statements and other financial schedules. The **Statistical Section** includes exhibits and tables of unaudited data depicting the financial history of the City, as well as demographic and other miscellaneous statistics, generally presented on a multi-year basis.

THE REPORTING ENTITY AND ITS SERVICES

The City of Milwaukee was incorporated as a city on January 31, 1846, pursuant to the laws of the territory of Wisconsin. The City, in operation under a Home Rule Charter since 1874, provides for a council-mayor form of

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CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2008

government. The Mayor, Comptroller, Treasurer, City Attorney and 15 Common Council members are elected officials of the City. Local elections are nonpartisan. Officials are elected to identical four-year terms. The City of Milwaukee held a general election for these positions in April 2008. The Mayor is the Chief Executive Officer and maintains a cabinet form of government controlling major City departments by appointing department heads subject to confirmation by the Common Council. The Mayor is responsible for the preparation of an annual city expenditure budget, subject to review and adoption by the Common Council. The Common Council is responsible for the management and control of the finances and property of the City and has the full power and authority to establish, enforce and modify all regulations for the government. The Comptroller, as the Chief Financial Officer for the City, is responsible for establishing City accounting policies and procedures, revenue estimating and monitoring, examination and investigation of all matters related to the finances of the City, issuance of debt and financial reporting. The City Treasurer is responsible for the receipt, disbursement and investment of all monies accruing to the City, including the collection of property taxes. The City Attorney is responsible for all legal matters of the corporation, including furnishing legal opinions, drafting all legal documents and defending the City in any legal actions.

The City of Milwaukee provides a full range of municipal services, including police and fire protection, sanitation, health, culture and recreation, public works, conservation and development and administrative support services. Also included in the report are the enterprise operations of the Metropolitan Sewerage District User Charge, Parking, Port, Sewer Maintenance and Water Works. These activities are under the direct oversight responsibility of the Mayor and Common Council and constitute the primary governmental functions of the City of Milwaukee. In addition, entities for which the City has financial accountability or for which the nature and significance of their relationship with the City would cause these financial statements to be misleading or incomplete are a part of the reporting entity. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The following organizations are reported as discretely presented component units: Milwaukee Economic Development Corporation, City of Milwaukee Housing and Redevelopment Authorities and Neighborhood Improvement Development Corporation.

The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions of the annual budget adopted by the Common Council of the City of Milwaukee. Activities of the general, capital projects funds and certain special revenue, debt service and enterprise fund types (exclusive of the component units) are included in the City's annual budget. The component units' respective Boards approve their budgets. City departments are required to submit their annual budget requests for the ensuing year to the Mayor by the second Tuesday in May. The Comptroller is also required to provide a statement of anticipated revenues by this date. After all requests have been reviewed, the Mayor submits his proposed Executive Budget to the Common Council. The City Charter requires that this be done on or before September 28. The Common Council must complete its review and adopt the budget on or before November 14. Once adopted, Common Council approval is required to amend the total appropriations by a department, the legal level of control for each budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by object class (i.e. salaries, operating expenditures, equipment) for each department for the general fund and enterprise funds. Project life rather than the standard current fiscal year is utilized for capital funds and special revenue funds. The City of Milwaukee also maintains an encumbrance accounting system as a technique of accomplishing budgetary control. Budget-to-actual comparisons are provided in the Required Supplemental Information Section of this report for the General Fund.

LOCAL ECONOMY

Geographically, Milwaukee consists of 95.8 square miles and is situated in the southeast corner of the State with Lake Michigan at its east boundary. It is an hour and thirty minutes east of its state capital, Madison. It is the 23rd largest city in the United States with a 2007 U.S. Census estimated population of 602,191. Milwaukee also is an international seaport. Due to its large population, it is the largest city in the State and also the only city of the First Class within the State of Wisconsin. The City represents approximately 40% of the population of the greater metropolitan area. Based on the last U.S. Census, the population in the four-county-retail-trade-area surrounding Milwaukee is 1.5 million and represents 28% of the population of the State of Wisconsin. Over 74% of metropolitan Milwaukee's population is comprised of residents within the working ages of 18 and older. Forty-eight percent of the counties of Milwaukee, Washington, Waukesha and Ozaukee residents are under the age of 35.

The City's economic structure reveals a diversified economy with strong service and manufacturing sectors. The service sector (service, finance, insurance, real estate and retail trade) employs over 69% of the workforce. Manufacturing firms employ 17% of the work force. The area is not dominated by any large employers. Less than 2% of the

CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2008

manufacturers have employment levels greater than 500. Less than 1% of the employers in finance, insurance and services have more than 500 employees.

Metropolitan area firms are engaged primarily in the manufacture of machinery. Contrary to Milwaukee's reputation as a brewery capital, less than one percent of the City's industrial outputs are related to brewing. In recent years, the metro region has a reputation as a center for precision manufacturing. It leads the nation in the production of industrial controls, X-ray equipment, steel foundry parts, and mining machinery.

Milwaukee is a major commercial shipping hub. Of vital importance to both the local and state economies is the Port of Milwaukee, a "shipping and receiving" point for international trade as well as the primary heavy-lift facility on the Great Lakes. A protected harbor permits year-round navigation through the port from three rivers in addition to Lake Michigan. With access to the eastern seaboard via the St. Lawrence Seaway and to the Gulf of Mexico through the Mississippi River, the Port of Milwaukee processes slightly under four million net tons of cargo annually and has helped the state maintain an export growth rate twice the national average. Both the Union Pacific Railroad and the Canadian Pacific Railway serve the Port, which is also served by convenient, non-congested access to the interstate highway system. Principal inbound commodities include cement, coal, machinery, steel, salt, limestone, asphalt, and crushed rock. The Port is also home to the U.S. Coast Guard, the U.S. Navy Reserve and the U.S. Army. The Harbor Commission's authority also includes the property of Milwaukee World Festivals, Inc., Pier Wisconsin, the Pieces of Eight Restaurant and the Lake Express high speed ferry.

Economic development is encouraged through the growth of employment opportunities for the citizens of Milwaukee and supports private investment that grows the City's tax base. Four key approaches are utilized: 1) direct financial assistance to small businesses that helps clients take advantage of opportunities to increase sales and employment; 2) use of tax incremental financing to provide public infrastructure improvements or other assistance to encourage major private investments that will contribute significantly to the growth of the tax base, employment or availability of commercial services in underserved areas; 3) partnerships with organizations that represent businesses and employers to improve the business environment, either in a particular geographic area or a particular industry segment; and 4) management of projects that invest City resources to redevelop underutilized or vacant properties for eventual sale to private owners.

In addition to pursuing new business, the City takes an active role in guiding economic development to serve the community. The City manages a number of programs intended to assist in local business retention efforts, provide permit assistance to new businesses and seek out appropriate sites for these businesses. The City has recently established its 41st Business Improvement District and Tax Incremental District (TID) #72. Forty-eight TID's remain active. In addition, the City manages various Development Fund Projects to promote urban renewal throughout the City.

In December 2008, metro Milwaukee area moved up in rank from #18 to #16 as one of the top 20 areas for businesses, according to MarketWatch. Cities were ranked according to eight categories including number of local Fortune 1000 companies, population and job growth. Milwaukee outpaced such cities as St. Louis, Indianapolis, Los Angeles and Chicago.

Some of the City's noteworthy revitalization efforts were realized during 2008. The transformation of a challenging 17-acre former metal foundry on the south-side of Milwaukee was turned into the Stadium Business Park. The Stadium Business Park is home to ten companies and 450 employees. In addition, the first Park East ribbon-cutting ceremony was held in January 2008 to celebrate completion of the first building to rise in the Park East corridor. The Flatiron is a six-story building combining 38 condominiums with retail space. This \$10 million development will add vitality to the Park East gateway as it adds to Milwaukee's tax base. July, 2008 also saw the opening of the Harley Davidson Museum, a major new tourist attraction. This \$95 million development is located at the east end of the Menomonee Valley corridor with a museum spanning 130,000 square feet. This facility is expected to attract 350,000 visitors annually.

More than \$800 million in projects are underway or proposed for sites throughout the Park East corridor located on the northern edge of downtown Milwaukee. Site preparation work is just beginning on the Aloft Hotel site in the center of the Park East Corridor. The \$27 million development will feature a 160-room Aloft Hotel. The project is expected to open in November 2009 with the creation of 75 new jobs. The Menomonee Valley Industrial Center is another major undertaking. Charter Wire began construction in 2008 of a new \$20 million production facility in the City's Menomonee Valley Industrial Center. The Valley Industrial Center is the home of 723 jobs and counting. Charter Wire plans to build a 160,000 square foot modern manufacturing plant of shaped steel wire products. More than a dozen projects throughout the Menomonee Valley will create 2,100 jobs when completed. The Brewery is a major reinvention of the 21-acre downtown

CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2008

Milwaukee's former Pabst Brewery Company which shut down the Milwaukee facility in 1996. The main parking structure will be completed by fall of 2009; two of the buildings are being renovated into commercial space; the former keg house has been remodeled into 95 apartments. Inland, a commercial real estate services firm, recently moved into 13,800 square feet at what was once the Pabst boiler house. Other portions of the complex are still being marketed or are under negotiations.

Tourism is also a major contributor to the local economy. Milwaukee's arts, entertainment, professional sports, restaurants, parks, conventions, and businesses attract about six million visitors a year. There are about 20 major annual festivals hosted in Milwaukee. Summerfest is promoted as the world's largest music festival and attracts about one million attendees each year. Some of Milwaukee's ethnic festivals include the largest Native American festival in the country, America's largest Polish festival, America's largest Italian festival, America's largest 3-day German festival and the largest Irish festival in the world. Despite the recession, tourism spending in the Greater Milwaukee area in 2008 surpassed tourism spending in the area in 2007, according to an annual tourism economic impact study by Davidson-Peterson, Inc. Traveler expenditures increased to 3.3% to an estimated \$2.663 billion for the year (compared to \$2.579 billion in 2007). The travel industry supported 66,331 full-time equivalent jobs in 2008 (up from 64,854 in 2007), and contributed \$426 million in local and state taxes (up from \$410 million in 2007). Tourism in 2008 increases were in part due to several key additional attractions, including Potawatomi Bingo Casino expansion, the opening of the Harley-Davidson Museum and the Iron Horse Hotel, and special one-time events such as the Harley-Davidson 105th anniversary celebration, the bronze Fonz dedication on the RiverWalk and the commissioning of the USS Freedom on the lakefront.

The educational opportunities in Milwaukee offer a wide variety of choices within the City. They include Alverno College, Cardinal Stritch University, Marquette University, Medical College of Wisconsin, Milwaukee Area Technical College, Milwaukee School of Engineering, Mount Mary College, University of Wisconsin-Milwaukee and Wisconsin Lutheran College.

The City remains in good financial condition, as is demonstrated by the financial statements and schedules included in this report. However, the General Fund's reserve for tax stabilization decreased from its 12/31/07 balance of \$62.7 million to \$42.4 million at 12/31/08. With the expected loss of additional state shared revenues, a potential increase in the city's contribution to the Employees Retirement System due to investment losses in 2008 and with record snowfalls in 2008 of 107 inches which resulted in an appropriation deficit of over \$2.6 million in 2008, have all contributed to the City developing a 2009 Budget Management Plan to immediately reduce expenditures and increase revenues. This plan has the following objectives: 1) achieve an expenditure lapse of at least \$13 million in 2009 to regenerate the reserve for tax stabilization account (TSF); 2) achieve at least 200 full-time operating and maintenance funded position vacancies in the general city employee category by December 2009 in order to reduce the City's 2010 budget exposure for salary and unemployment compensation expenditures; 3) Ensure that sufficient operating funding is available for snow and ice removal operations in the fourth quarter of 2009; and, 4) enable a cancellation of all or part of the debt related to the \$2.7 million of 2009 contingent borrowing that occurred as a result of exceedingly high snow and ice operational expenditures during 2008. Initiatives already implemented include a strict hiring freeze, a large increase in a snow and ice removal fee, other significant fee increase and a two day mandatory furlough.

ECONOMIC OUTLOOK

The U.S. Census Bureau estimated the City of Milwaukee's 2007 population at 602,191.

During 2008, the City's unemployment rate averaged approximately 7.2%; compared to the State of Wisconsin average of 4.7% and the United States average of 5.8%.

Retaining the City's high "investment grade" bond ratings is of prime importance and serves to maintain low borrowing costs. The low costs of borrowing, both for capital and cash flow purposes, produces direct benefits to the taxpayer. The City continues to maintain high investment grade ratings of AA+ from Fitch; Aa2 from Moody's and AA from Standard & Poor's received on the City's 2009 General Obligation Promissory Notes and its General Obligation Bonds. These ratings have been maintained during the recent slow economic growth and continued frozen state aids. As the ratings indicate, the City's capacity to meet its financial commitments on outstanding obligations is strong. The rating agencies indicate that the ratings reflect a combination of moderate overall debt burden, rapid debt repayment, manageable capital needs, strong growth in assessed value, and a diverse tax base. The City also assists in keeping the overall debt burden affordable by controlling the level of annual debt issued.

The property tax rate for 2009 purposes is \$8.09 compared to \$8.01 per \$1,000 of assessed value for 2008, with the 2009 total city property tax levy of approximately \$237 million increased \$9.5 million compared to \$227.5

CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2008

million in 2008. The estimated assessed value increased approximately 3.1% from 2008 to 2009. The property tax levy will provide \$123.7 million in revenue for the general city purposes budget in 2009 compared to \$104 million for 2008 general city purposes. The property taxes revenue reported in the General Fund was \$141.6 million for 2008 compared to \$137.3 million for 2007. Property taxes revenue funding as a portion of total General Fund budgetary expenditures for 2008 was 23.6% compared to 2007 of 23.5% as depicted in Exhibits E-1.

The City of Milwaukee Water Works is a municipally owned water utility regulated by the State of Wisconsin Public Service Commission (PSC). The PSC regulates the rates at which water is sold by the Milwaukee Water Works. An inflation based rate increase of 3.4% became effective in September 2006. The Public Service Commission approved an additional 6% rate increase effective June 1, 2007. The rate increases were the first since 2002. By PSC rule, the Water works may not seek another increase until 2009.

In 2008, Wisconsin passed the Great Lakes Compact, a historic cooperative effort across the Great Lakes states and provinces of Canada to protect and preserve the Great Lakes for generations to come. The Compact outlines criteria by which communities that "straddle" the intercontinental divide would be allowed to use Great Lakes water. New Berlin is one such community. The eastern one third of New Berlin was already a wholesale customer of the Water Works. The middle third of New Berlin is outside of the intercontinental divide, but is served by the Milwaukee Metropolitan Sewerage District. Thus, its wastewater is returned to Lake Michigan. This portion of New Berlin had been served by groundwater, but concerns about radon prompted New Berlin's leadership to consider other alternative water supplies. Consistent with the Great Lakes Compact and the recommendations of the Integrated Water Infrastructure Review Workshop, the Barrett Administration negotiated a deal to sell water to the middle third of New Berlin, in exchange for not only Water Works revenue, but also an additional \$1.5 million intergovernmental agreement, the first of its kind in Milwaukee. The Common Council approved this deal and the \$1.5 million of revenue for 2009 reduces the property tax levy for Milwaukee residents. Beginning in late 2010, the agreement is expected to generate more than \$680,000 in annual Water Works' revenue from New Berlin, which will mitigate future water rate increases.

City fees established by the Common Council include sewer user fee, storm-water fee, solid-waste fee, sewer maintenance fee (which includes leaf pickup and street sweeping), snow and ice control fee and special garbage pickups (greater than four cubic yards). For 2009, the Solid Waste Fee increased \$18.48 annually, from \$33 a quarter to \$37.62. A single family residence paid \$132 total in 2008 and will pay \$150.48 in 2009. The Snow & Ice Control fee was reduced from \$0.6522 per property frontage foot in 2008 to \$0.5283 per foot in 2009. A single family residence that paid \$28.70 in 2008 will pay \$23.25 in 2009, a reduction of \$5.45. The Storm Water Management Fee was increased from \$8.00 quarterly in 2008 to \$11.82 quarterly in 2009. The average single family residence that paid a total of \$32.00 in 2008 will pay \$47.28 in 2009, an increase of \$15.28. The Sewer Maintenance Fee was increased from \$1.036 per 100 CCF of water in 2008 to \$1.12 per 100 CCF of water in 2009. The average single family residence that paid \$72.93 total in 2008 will pay \$78.85 in 2009, an increase of \$5.92. It should be noted that the change of these types of fees for service alleviates pressure on the tax levy, since the City's costs for providing these critical services is shifted away from the property tax levy and it more equitable spread onto all properties, including tax exempt properties.

In order to accelerate the City's maintenance and replacement of its nearly 1,000 miles of residential city streets, the Common Council implemented a \$20.00 Vehicle Registration Fee in 2008. This fee is added on to the State of Wisconsin's annual vehicle registration fee. This \$20.00 fee is expected to generate more than \$6 million in 2009; and, in accordance with state law; the City can only use it for transportation purposes. The implementation of this fee serves a dual purpose. It will increase funding for street maintenance and replacement, while relieving property owners of expensive and unpopular special assessments.

The Federal Housing and Economic Recovery Act of 2008 is anticipated to provide approximately \$9.2 million in funding to the City of Milwaukee. Since the grant funding is anticipated for 2008, this will be treated as a 2008 grant. The grant provides assistance for the redevelopment of abandoned and foreclosed homes and residential properties. Allowable activities include purchasing and rehabilitating abandoned and foreclosed homes in order to see, rent or redevelop the homes, demolishing blighted structures, and redeveloping demolished or vacant properties.

MAJOR CAPITAL PROJECTS

The 2009 capital budget includes funds for various infrastructure and building projects. For 2009, the City capital improvements budget, not including enterprise funds and grants and aid funding, totals \$125.8 million, a decrease of 9.82% or \$13.7 million from 2008 budget of \$139.5 million. Funding of \$43.8 million for various tax incremental district and

CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2008

development projects comprises 34.8% of the total capital budget for 2009. The Department of Public Works budget for bridges (\$6 million), local street resurfacing/reconstruction (\$10.3 million), major streets (\$4.2 million), street lighting (\$7.8 million) and major equipment purchases (\$5.9 million) total \$34.2 million or approximately 27.2% of the total 2009 capital budget. With the continuing funding for the Foundation and Hollow Walk Project for City Hall (\$1.8 million, representing 1.4% of the City funded portion of the capital budget), these projects account for approximately 63% of the total 2009 capital budget.

With the recent completion of the City Hall Restoration Project, the City Hall Foundation and Hollow Walk Project will commence in late 2009. Ongoing investigation has found significant foundation settling, particularly on the three sides of the northern half of the building. City Hall was built on a foundation of wood pilings as was common in the late 1890's. As pilings have deteriorated, settling has occurred. Work to repair and underpin the existing pile caps and install monitoring wells is necessary to correct this condition. In conjunction with the foundation work, the sidewalks, hollow sidewalk areas, and the associated interior walls will be repaired and restored. The 2008 capital budget included \$1.2 million to conduct a detailed evaluation to determine condition changes since the last analysis in mid-2004. The 2009 capital budget includes \$1.8 million to commence initial construction in late 2009. Considerable project risk exists due to the large portion of the foundation that is buried and not directly observable. After work is complete, the building's foundation is expected to perform its support function into the long term future.

The 2009 capital projects budget includes \$6 million for bridge construction/reconstruction, an increase of \$1.5 million compared to 2008. Bridge conditions are measured using a sufficiency rating ranging from 0 to 100. Ratings are conducted every two years through physical bridge safety inspections. Bridges with a rating below 50 are inspected annually. In 2007, 88.3% of the rated bridges had a sufficiency rating above 50. Currently, 18 bridges have sufficiency ratings less than 50. The six year capital plan addresses 12 of these bridges. The remaining six bridges are safe and operable, but non-safety related issues such as design in street and sidewalk capacity contribute to their lower sufficiency rating.

Street related activity of \$25.7 million in the 2009 budget (including new streets, resurfacing/reconstruction, alleys, sidewalks, street lightings, traffic controls, conduits and manholes) increased \$2.3 million; a 10% change from the 2008 budget of \$23.3 million.

The Water Works Enterprise Fund capital improvements budget for 2009 for water main replacement totals \$16.8 million; a 3.1% increase from the 2008 budget of \$16.3 million; and will add 14 miles of water mains.

CASH MANAGEMENT POLICIES AND PRACTICES

The City maintains a pooled cash and investment account that is available for use by all funds, except the Debt Service Fund, the Water Works Enterprise Fund and component entities which maintain separate cash and investments. Cash temporarily idle during the year and under the control of the City Treasurer was invested in demand deposits, certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and commercial paper (all of which are permissible under State Statutes). The average interest earnings rate for City funds invested by the City Treasurer was approximately 2.7% in 2008 as compared to 5.1% in 2007. The City continued to use the State of Wisconsin Local Government Investment Pool to provide flexibility for short-term investments while maintaining high standards of safety and liquidity. In 2008, the average daily investable balance was \$218.2 million as compared to \$244.2 million in 2007, a 10.6% decrease. The investable balance generates interest earnings for the City, which is used to offset the property tax levy.

During 2008, the City continued its prudent use of financing techniques and investment instruments to maximize its investment return while meeting on-going cash flow needs. The City's use of cash flow borrowing in anticipation of State Shared and State Equalization Aid Revenues totaled \$300 million, compared to \$244.2 million in 2007. The financing was accomplished through two separate offerings -- \$90 million General Obligation Cash Flow Promissory Notes in March 2008 for City purposes and \$210 million School Revenue Anticipation Notes in August 2008 for school purposes. The timing of these offerings provided the City with an opportunity to earn additional interest on investments and still comply with the requirements of the Tax Reform Act of 1986. The second borrowing represented a joint effort with Milwaukee Public Schools to finance school operations on an interim basis pending its receipt of State Equalization Aids and is not a general obligation of the City.

In addition, the City will continue its use of the State of Wisconsin's Clean Water Fund to finance sewer maintenance capital projects which began in June 2007. Over \$35 million of loans were obtained during 2008. The Clean

CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2008

Water Fund provides below market interest loans to communities to finance storm-water control projects. This financing strategy will save ratepayer's money, as Clean Water funding and General Obligation bonds have a lower interest rate than revenue bonds. General Obligation debt will finance sewer capital projects that do not qualify for the Clean Water Fund. Also, new for 2008 was the issuance of \$124.6 million of commercial paper to finance various public improvement projects and fiscal requirements of the City.

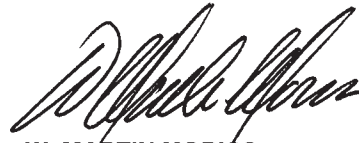
RISK MANAGEMENT

The City is self-insured for workers' compensation, employee Basic Plan health and dental insurance, uninsured motorist motor vehicle coverage for City employees, and general liability claims. With certain exceptions, it is the policy of the City not to purchase commercial insurance against property or liability risks. Instead, the City has found it is more economical to manage its risk internally, setting aside funds as needed for estimated current claim settlements and judgments through annual and supplemental appropriations as needed. The City does purchase and maintain limited coverage for certain facilities and employee bonding. Indemnity and insurance protection is also required of City contractors, vendors, lessees and permit holders.

ACKNOWLEDGEMENTS

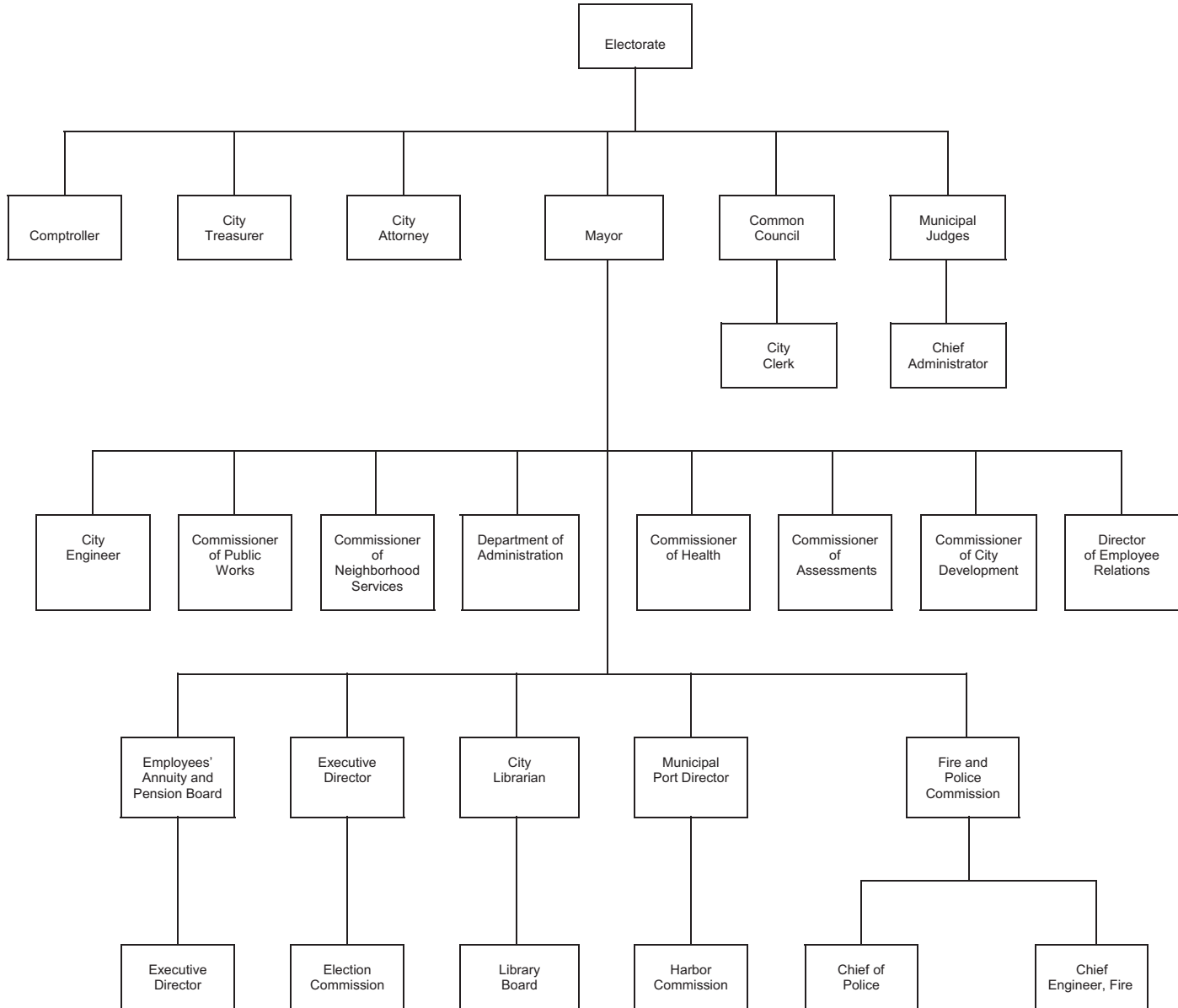
The Office of the Comptroller takes great pride in the preparation of this report. The professionalism, commitment and effort of each member of its General Accounting Division have made this presentation possible. The timely preparation of this report could not have been accomplished without the cooperation, dedication, and extensive involvement of the entire staff of the Office of the Comptroller and the able assistance of our independent auditors, KPMG LLP, as well as the accounting personnel of our component units. Special commendation and appreciation should be accorded to the dedicated staff of the Comptroller's Office in the preparation of this Comprehensive Annual Financial Report. In addition, I convey my appreciation to you and members of your respective staffs for your interest and support in planning and conducting the fiscal affairs of the City throughout the past year. The City will continue to remain fiscally sound through our cooperative efforts.

Very truly yours,



W. MARTIN MORICS
Comptroller

City of Milwaukee
ORGANIZATION CHART
DECEMBER 31, 2008



CITY OF MILWAUKEE
NAMES OF PRINCIPAL OFFICIALS
DECEMBER 31, 2008

ELECTED

Mayor	Thomas M. Barrett
Comptroller	W. Martin Morics
City Treasurer	Wayne F. Whittow
City Attorney	Grant F. Langley
Municipal Judge	Derek C. Mosley
Municipal Judge	Phillip M. Chavez
Municipal Judge	Valarie A. Hill

COMMON COUNCIL

President	Willie L. Hines, Jr.
-----------------	----------------------

Aldermanic District

First	Ashanti T. Hamilton
Second	Joseph L. Davis, Sr.
Third	Michael S. D'Amato
Fourth	Robert J. Bauman
Fifth	James A. Bohl, Jr.
Sixth	Michael I. McGee, Jr.
Seventh	Willie C. Wade
Eighth	Robert G. Donovan
Ninth	Robert W. Puente
Tenth	Michael J. Murphy
Eleventh	Joseph A. Dudzik
Twelfth	James N. Witkowiak
Thirteenth	Terry L. Witkowski
Fourteenth	T. Anthony Zielinski
Fifteenth	Willie L. Hines, Jr.

Alderman

FINANCE RELATED (Non-Elected)

Administration Director	Sharon D. Robinson
Budget & Management Director	Mark P. Nicolini
City Purchasing Director	Rhonda Kelsey
Commissioner of Assessments	Mary P. Reavey
Chief Information Officer	Nancy A. Olson

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KPMG LLP
777 East Wisconsin Avenue
Milwaukee, WI 53202-5337

Independent Auditors' Report

To the Honorable Members
of the Common Council
of the City of Milwaukee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Housing Authority of the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee, the Milwaukee Economic Development Corporation, and the Neighborhood Improvement Development Corporation, which represents 100 percent of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 10 through 34, 96 and 97, respectively, are not required parts of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management



regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, miscellaneous financial data and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section, miscellaneous financial data and statistical section have not been subjected to auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 30, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

KPMG LLP

Milwaukee, Wisconsin
July 30, 2009, except for the financial statements and related
note disclosures for the discretely presented component
units as to which the date is October 7, 2009

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Within this section of the City of Milwaukee Comprehensive Annual Financial Report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2008. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This *Management Discussion and Analysis* (MD&A) should be read in conjunction with the City's basic financial statements, which follow this discussion. Additional information is available in the letter of transmittal, which precedes Management's Discussion and Analysis. The MD&A focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

FINANCIAL HIGHLIGHTS

- The assets of the City of Milwaukee exceeded its liabilities at the close of fiscal year 2008 by \$972 million (net assets); \$307 million in governmental activities and \$665 million in business-type activities. Governmental activities' unrestricted assets are a deficit of \$396 million. This indicates that the City is financing long-term liabilities as they come due rather than when they are incurred. The City's net assets decreased 5.2% compared to the previous year of \$1,025 million.
- Net assets must be viewed in the context that the vast majority of the City's net assets are capital assets, and, that most capital assets do not generate revenues nor can they be sold to generate liquid capital. Total net assets are comprised of the following:
 - Capital assets, net of related debt, of \$1,166 million include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - Net assets of \$155 million are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - Unrestricted (\$349) million.
- The City's total 2008 year-end other post-employment benefits (OPEB) obligation is \$78.4 million; an increase of 105% from the 2007 obligation of \$38.2 million. The obligation is based on an actuarial valuation as of July 1, 2007, which indicates substantial increases through 2016.
- Total liabilities of the City increased by \$155 million to \$1,644 million. The long-term portion of total liabilities (\$1,031 million) consists of \$78 million for OPEB, \$892 for outstanding debt and \$61 million for compensated absences, claims, and judgments.
- The City had governmental expenses of \$695 million more than its combined program revenues. General revenues and transfers of \$628 million resulted in a \$67 million decrease of net assets for the year. Business-type activities had an increase of net assets of 2% over 2007; generating \$13 million of program revenues, general revenues and transfers greater than its expense at year end.
- For governmental activities, program revenue supported 19% of the total expenses for 2008. Property taxes and other taxes represented 30% of the primary government's governmental activities' expenses, state aids for the General Fund equaled 31% and miscellaneous revenues and transfers supported 12% of the expenses. As a result of 2008 activity, expenses exceeded revenues and transfers by 8%.
- For business-type activities, program revenue supported 131% of the expenses for 2008; and, in total exceeded the expenses by \$51 million. Miscellaneous revenue net of transfers out reduced this excess to \$13 million for the year.
- The City's total governmental funds reported total ending fund balances of \$203 million this year. Compared to the prior year ending fund balance of \$185 million, an increase of \$18 million resulted by year end 2008; a 10% increase.
- The General Fund reported a positive fund balance for the year of \$73 million. Compared to \$91 million in 2007; the 2008 balance decreased 20%. This decrease is a result of total expenditures and other financing uses totaling \$18 million more than the total actual revenues and other financing sources. This ending fund balance is 10% of the total General Fund expenditures including transfers, and 12% of the total General Fund revenues including transfers.
- The operating expenditures of the General Fund were \$1 million less than budgeted. This favorable variance is a result of savings from general government departments of nearly \$3 million with a combined savings in the aggregate of \$1 million in the culture and recreation departments, public safety departments, health department, and conservation and development department. These positive variances were offset by a deficit in the public works departments of nearly \$3

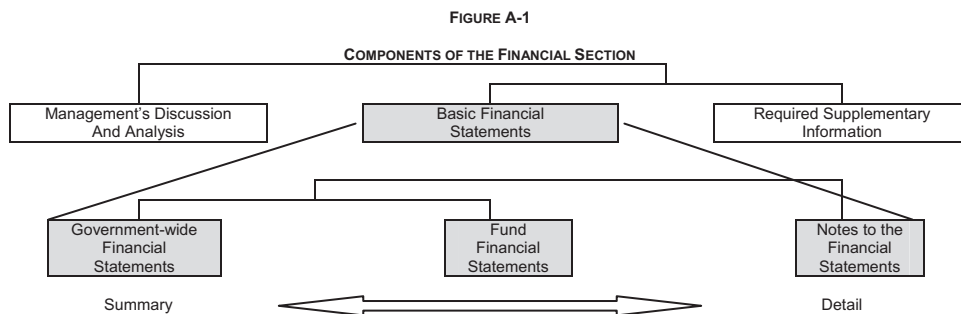
CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

million. The positive savings included \$.4 million due to unrealized claims and \$.3 million due to reduced payments for group life insurance premiums as a result of reduced salary levels. The combined savings from the Comptroller, Employees' Retirement and Department of Employee Relations resulted in a favorable variance in various fringe benefit costs that were allocated to capital projects rather than to general fund accounts, and thus saved \$1 million for the year. All other departments saved in the aggregate of \$1.3 million. The Department of Public Works Operations Department incurred a deficit of \$2.6 million relating to snow removal and cleanup efforts. December 2008 was the second snowiest December on record. Over 35.3 inches of snow fell in December compared to a normal average snow fall of 11.7 inches. The City plans to issue debt in 2009 to offset this deficit.

- General obligation bonds and notes payable increased by \$32 million during the current fiscal year from \$728 million to \$760 million. The key factors contributing to this increase were scheduled and early retirement of general obligation debt of \$207 million and the issuance of \$239 million in new general obligation bonds and notes for the continuing funding of capital projects and the issuance of debt on behalf of the Milwaukee Public Schools.
- The City issued General Obligation Cash-flow Promissory Notes for \$90 million rather than Revenue Anticipation Notes in advance of receipt of the State Shared Revenues. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund (the legal fund established to pay the debt).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements. The basic financial statements consist of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, (3) **Notes** to the financial statements. This report also includes other (4) **Required Supplementary Information**. Figure A-1 shows how the required parts of the annual report are arranged and relate to one another.



The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the government operates like businesses, such as the water and the sewer maintenance systems.
 - Fiduciary fund statements provide information about the financial relationships—like various benefit plans for the City's employees—in which the City is solely a trustee or agent for the benefit of others to whom the resources belong.

A summary of the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain are depicted in table Figure A-2. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

FIGURE A-2
 MAJOR FEATURES OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the city for basic governmental services	The day-to-day operating activities of the city for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Required financial statements	* Statement of net assets * Statement of activities	* Balance Sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of net assets * Statement of revenues, expenses, and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus, except agency funds do not have measurement focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; capital assets and long-term liabilities	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others and all liabilities
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the City's finances, in a manner similar to a private-sector business and include both long-term and short-term information about the City's financial status. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. All of the activities of the City, except those of a fiduciary nature, are included.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets indicate whether its financial health is improving or deteriorating. Other non-financial factors, such as changes in the property tax base and the condition of the roads are also needed to assess the overall health of the City.

The government-wide financial statements of the City of Milwaukee are reported into three categories on these statements—governmental activities, business-type activities, and component units. A total column for the City is also provided.

- The *governmental activities* include the basic services of the City including general government (administration), police, fire, public works, health, culture, and development services. Taxes and general revenues generally support these activities.
- The *business-type activities* include the private sector type activities such as the water, sewer user charge, sewer maintenance, parking, and port. User charges or fees primarily support these activities.
- The *component units* include four other entities in its report. The Housing Authority and the Redevelopment Authority of the City of Milwaukee, Milwaukee Economic Development Corporation and the Neighborhood Improvement Development Corporation. Although legally separate, these component units are important because the City has financial accountability responsibility.

Fund Financial Statements

The City's major funds begin with Exhibit A-1. The fund financial statements provide detailed information about the most significant funds; not the City as a whole. The accounts of the City are organized on the basis of funds. Each fund is a separate fiscal and accounting entity with a self-balancing set of accounts including assets, liabilities, equities, revenues and expenditures or expenses, which is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

The City has three fund types: governmental and proprietary which use the modified accrual and the accrual methods of accounting, respectively, and fiduciary funds.

- **Governmental funds:** Most of the City's basic services are reported in governmental funds, which focus on the modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine if more or fewer financial resources are available to be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in the reconciliation at the bottom of the fund financial statements.
- **Proprietary funds:** Operations which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control and other purposes. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.
- **Fiduciary funds:** The City is the trustee, or fiduciary, for its pension and other employee benefit trusts and various miscellaneous private purpose trusts. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets in Exhibits C-1, C-2 and H-1. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes which follow Exhibits 1 through D-2 provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information to demonstrate legal budgetary compliance for each major fund for which an annual budget is adopted. Required supplementary information is presented in Exhibit E-1.

Combining and Individual Fund Statements and Schedules and Miscellaneous Financial Data

Combining schedules provide detail in connection with nonmajor governmental funds and nonmajor enterprise funds. Individual fund statements provide greater detail, presented as compared with the final amended budget for the General Fund, and each nonmajor special revenue fund. Capital Projects are also presented in detail by major category (i.e. streets, sewers) within the Miscellaneous Financial Data Section. See Exhibits F-1 through I-9.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole. The net assets and net expenses of governmental and business-type activities are depicted separately below. Table 1 focuses on the net assets and Table 2 focuses on the changes in net assets.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

Table 1
Summary of Statement of Net Assets
(Thousands of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2008	2007	2008	2007	2008
Current and other assets	\$ 741,042	\$ 796,030	\$ 110,140	\$ 109,611	\$ 851,182	\$ 905,641
Capital assets	941,943	955,475	721,340	755,598	1,663,283	1,711,073
Total assets	<u>1,682,985</u>	<u>1,751,505</u>	<u>831,480</u>	<u>865,209</u>	<u>2,514,465</u>	<u>2,616,714</u>
Long-term obligations	781,408	878,734	142,856	151,810	924,264	1,030,544
Other liabilities	527,822	565,616	36,936	48,277	564,758	613,893
Total liabilities	<u>1,309,230</u>	<u>1,444,350</u>	<u>179,792</u>	<u>200,087</u>	<u>1,489,022</u>	<u>1,644,437</u>
Net assets:						
Invested in Capital assets, net of related debt	558,328	559,343	581,594	607,122	1,139,922	1,166,465
Restricted	116,516	143,951	9,528	10,935	126,044	154,886
Unrestricted	(301,089)	(396,139)	60,566	47,065	(240,523)	(349,074)
Total net assets	<u>\$ 373,755</u>	<u>\$ 307,155</u>	<u>\$ 651,688</u>	<u>\$ 665,122</u>	<u>\$ 1,025,443</u>	<u>\$ 972,277</u>

Net assets of the City's governmental activities decreased 17.8% to \$307.2 million for 2008. These net assets are restricted as to use in the amount of \$143.9 million or are invested in capital assets in the amount of \$559.3 million (buildings, roads, bridges, etc) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The unrestricted net assets deficit (\$396.1 million) at the end of the year does not mean that the City does not have adequate financial resources available to pay its bills next year. Instead, it is because the City's annual budgets do not include the full amounts needed to finance future liabilities arising from property and casualty claims, and to pay for unused employee vacation and sick days, and debt not issued for City capital assets. The City will include these amounts in future years' budgets as they come due.

The net assets of business-type activities increased 2.1% to \$665.1 million in 2008. The City generally can only use these net assets to finance the continuing operations of the specific enterprise activity it relates to.

Long-term obligations for both governmental and business-type activities increased 12.5% and 6.3% respectively from 2007 due primarily by an increase in the issuance of long-term debt and the recording of the OPEB obligation.

Total assets, including capital assets increased \$102.2 million or 4.1% from 2007. Capital assets of the primary government increased 2.9% from the previous year. For 2008, the Water Works and the Sewer Maintenance Funds have 92% of the City's total capital assets related to business-type activities. These are the City's two largest enterprise funds (business-type). The Water Works capital assets (51%) consist primarily of water mains and related water facilities and plants; and, the Sewer Maintenance Fund (41%) includes all the various sewer mains and connections.

Changes in net assets. The calculation of revenues less expenses is the change in net assets. The City's total program and general revenues totaled \$753.7 million for the governmental activities. Of revenues, 34% comes from property and other taxes and 46% comes from intergovernmental revenues (state aids, federal and state grants). Charges for services category represents only 12% of the total revenues, and the remaining 8% coming from licenses, permits, fines and forfeits and miscellaneous other sources.

The City's governmental activity expenses cover a range of services, with 37% related to public safety (fire and police, neighborhood services). The City's general expenses exceeded its program revenues for governmental activities by 81%; total general revenues combined with program revenue and transfers resulted in a negative change in net assets of \$66.6 million or 7.8% of total general expenses for governmental activities. The margin for business-type activities had 30.9% of program revenues greater than expenses and a 6.7% margin of total revenues more than expenses and transfers out. Chart 1 Expenses and Program Revenues – Governmental Activities and Chart 2 Expenses and Program Revenues – Business-type Activities depict this comparison.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

Table 2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table 2
Changes in Net Assets
(Thousands of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2008	2007	2008	2007	2008
Revenues:						
Program revenues:						
Charges for services	\$ 76,496	\$ 86,410	\$ 187,493	\$ 203,512	\$ 263,989	\$ 289,922
Operating grants and contributions	75,074	77,032	-	-	75,074	77,032
Capital grants and contributions	-	-	6,062	10,203	6,062	10,203
General revenues:						
Property taxes and other taxes	243,654	257,210	-	-	243,654	257,210
State aids for General Fund	272,539	271,100	-	-	272,539	271,100
Miscellaneous	84,042	61,949	2,121	979	86,163	62,928
Total revenues	<u>751,805</u>	<u>753,701</u>	<u>195,676</u>	<u>214,694</u>	<u>947,481</u>	<u>968,395</u>
Expenses						
General government	204,724	208,608	-	-	204,724	208,608
Public safety	297,711	314,935	-	-	297,711	314,935
Public Works	157,701	174,629	-	-	157,701	174,629
Health	23,102	20,830	-	-	23,102	20,830
Culture and recreation	21,298	20,639	-	-	21,298	20,639
Conservation and development	70,025	61,693	-	-	70,025	61,693
Capital contribution to						
Milwaukee Public Schools	2,788	6,474	-	-	2,788	6,474
Contributions	21,915	22,177	-	-	21,915	22,177
Interest on long-term debt	30,536	28,368	-	-	30,536	28,368
Water	-	-	62,064	64,562	62,064	64,562
Sewer Maintenance	-	-	29,928	29,167	29,928	29,167
Parking	-	-	24,025	25,078	24,025	25,078
Port of Milwaukee	-	-	5,626	4,182	5,626	4,182
Metropolitan Sewerage District User Charges.	-	-	32,301	40,219	32,301	40,219
Total expenses	<u>829,800</u>	<u>858,353</u>	<u>153,944</u>	<u>163,208</u>	<u>983,744</u>	<u>1,021,561</u>
Increase in net assets before transfers	(77,995)	(104,652)	41,732	51,486	(36,263)	(53,166)
Transfers	<u>36,483</u>	<u>38,052</u>	<u>(36,483)</u>	<u>(38,052)</u>	<u>-</u>	<u>-</u>
Increase in net assets	(41,512)	(66,600)	5,249	13,434	(36,263)	(53,166)
Net assets – Beginning	<u>415,267</u>	<u>373,755</u>	<u>646,439</u>	<u>651,688</u>	<u>1,061,706</u>	<u>1,025,443</u>
Net assets – Ending	<u>\$ 373,755</u>	<u>\$ 307,155</u>	<u>\$ 651,688</u>	<u>\$ 665,122</u>	<u>\$ 1,025,443</u>	<u>\$ 972,277</u>

Governmental Activities

Revenues for the City's governmental activities were \$753.7 million, while total expenses were \$858.4 million for 2008. All revenues, excluding transfers, are supporting 87.8% of the total expenses; 92.2% with transfers. Comparable data for 2007 indicates 90.6% of all revenues, excluding transfers supported the 2007 expenses and, 95% with transfers.

Property taxes represent 34.1% of the total revenues for 2008 compared to 32.4% for 2007; a 5.6% increase in this category. The increase in revenues is primarily due to an increase in collections; however, the City of Milwaukee's share of the Tax Rate increased two cents (from \$7.99 in 2007 to \$8.01 in 2008 [per \$1,000 of Assessed Value]). State aids for the General Fund of \$271.1 million decreased from 2007 by \$1.4 million or .5%. The combined property taxes and state aids comprised approximately 70.1% of the total revenues for governmental funds in 2008 compared to 68.7% in 2007. Charges for services equaled 11.5% of the total revenues in 2008 compared to 10.2% in 2007.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

Governmental activities had expenses increase 3.4% in 2008 to \$858.4 million from \$829.8 million in 2007. Expenses for general government, which comprise 24.3% of the total expenses, increased 1.9% in 2008. Public safety expenses represent the largest category of governmental activities or 36.7% of the total expenses for 2008 which is an increase of 5.8% over 2007. Due to the excessive snowfall during 2008, public works expenses increased 10.7% over 2007.

Chart 1
2008 Expenses and Program Revenues - Governmental Activities

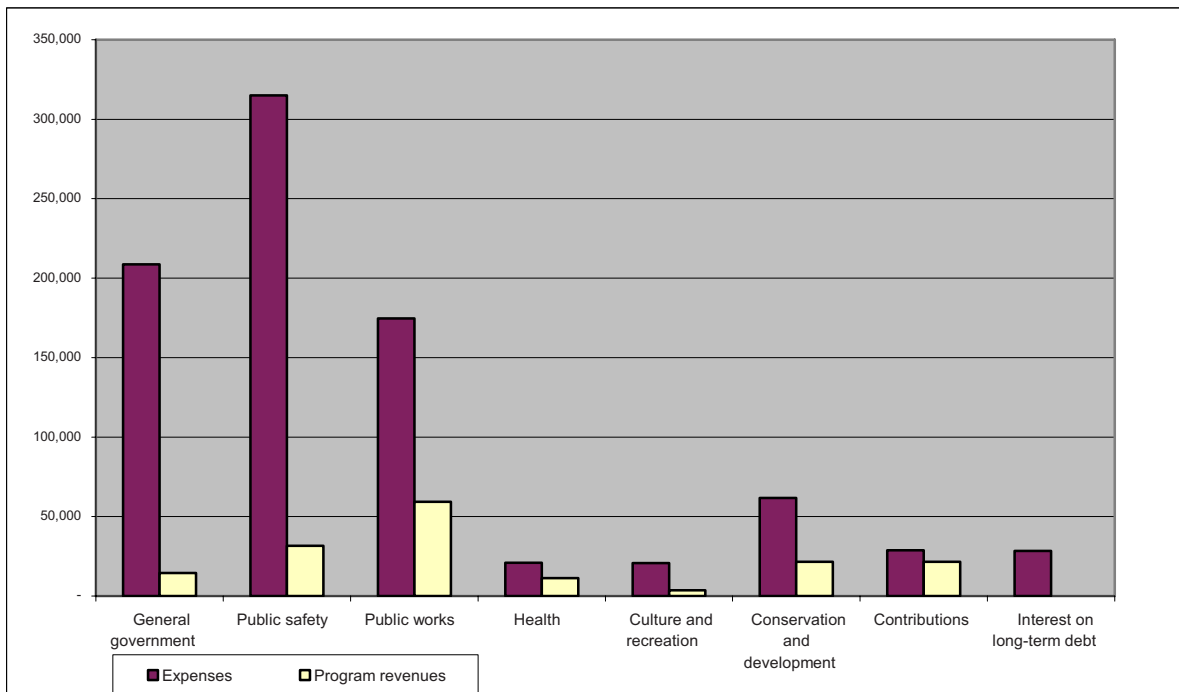


Table 3 presents the cost of each of the City's largest programs as depicted in the Chart 1 above, as well as each program's net costs (total cost less the revenues generated by the activities). General government includes most city departments, such as: Mayor, Common Council, Administration, Employee Relations, Municipal Court, City Attorney, Comptroller and Treasurer. Public safety includes Fire, Police and Neighborhood Services. The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

Table 3
Governmental Activities
(Thousand of Dollars)

	Total Cost of Services		Net Cost of Services	
	2007	2008	2007	2008
General government	\$ 204,724	\$ 208,608	\$ 190,243	\$ 194,038
Public safety	297,711	314,935	271,271	283,373
Public works	157,701	174,629	108,024	115,234
Health	23,102	20,830	10,375	9,556
Culture and recreation	21,298	20,639	17,244	17,120
Conservation and development	70,025	61,693	48,104	40,103
Contributions	24,703	28,651	2,433	7,119
Interest on long-term debt	30,536	28,368	30,536	28,368
Total Governmental Activities	<u>\$ 829,800</u>	<u>\$ 858,353</u>	<u>\$ 678,230</u>	<u>\$ 694,911</u>

The Table 3 above indicates that the cost of services not funded with direct program revenue for governmental activities increased in 2008 to \$694.9 million from \$678.2 million in 2007 or 2.5% change. For 2008, Public Safety's net cost of services represents the largest category of total expenses at 40.8%, an increase of 4.5% in net cost of services compared to 2007. The total costs of services for all governmental activities increased overall by 3.4%. This indicates that total program revenue for the purposes is not increasing in proportion to the total cost of governmental services.

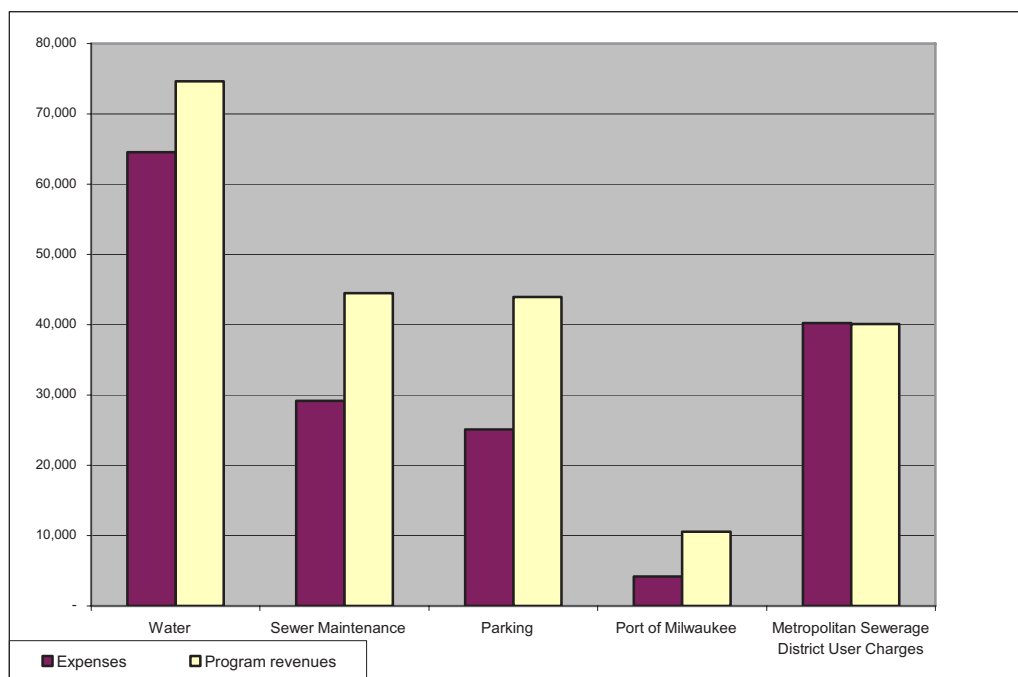
Business-type Activities

The three major enterprises or business-type activities are water, sewer maintenance and parking operations. The Water Works had operating expenses of \$63.4 million and operating income of \$10.2 million. The Sewer Maintenance had operating income of \$20.0 million after generating expenses of \$20.7 million. The City parking facilities operating expenses during 2008 were \$24.5 million with net operating income of \$19.1 million.

Total revenues on Table 2 shows an increase of \$19 million in 2008 compared to 2007, or 9.7%. Total expenses and transfers of all enterprise funds of the City increased \$10.9 million, from \$190.4 million in 2007 to \$201.3 million in 2008. This resulted in a change in net assets activity for the year 2008 of an increase of \$8.2 million compared to 2007. The 2008 year-end Total Net Assets increased by \$13.4 million or 2.1%.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

Chart 2
2008 Expenses and Program Revenues - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

Governmental Funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. In particular, the Reserved for Tax Stabilization in the General Fund may serve as a useful measure for the City's net resources available for financing subsequent year's budget to help stabilize the tax rate. Types of Governmental Funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

As the City completed the year, its Governmental Funds (as presented in the balance sheet on Exhibit A-1) reported a combined fund balance of \$202.9 million, an increase of \$17.8 million or 9.6% over last year. A major contributor to this increase was the issuance of additional general obligation debt in the Capital Projects Funds. As a result, the expenditures for various capital projects in advance of the issuance of debt produced a beginning of year net fund deficit of \$67.2 million but improved to a deficit fund balance at year end 2008 of \$37.4 million. Debt issued for capital projects totaled \$124.7 million in 2008 compared to \$21.3 million in 2007. At year end, the capital projects with a fund deficit were Bridges (\$1,922,000), Library (\$123,000), Public Buildings (\$1,450,000), Sewers (\$1,833,000), Urban Renewal (\$851,000), Streets (\$3,911,000), and Tax Incremental Districts (\$16,526,000). The fund balance deficit of \$12,158,000 for special assessment capital projects remained relatively unchanged. This deficit is due to the financing of capital projects prior to the issuance of the special assessment bills. If over \$125, these bills are payable over six years. Other capital projects such as fire, playgrounds and recreation, police and special projects netted a positive fund balance at year end of \$1,423,000.

The total reserves of the General Fund decreased 19.7% to \$73.0 million from \$90.9 million in 2007. Of this amount, \$22.4 will finance the 2009 budget, with \$20.0 available for 2010 and subsequent years' budgets. The year 2007 showed a \$14.3 million reduction.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Chart 3 and 4 graphically depict the spending by function and revenues by source for all governmental funds. Revenues for governmental functions overall totaled \$753.9 million in the fiscal year ended December 31, 2008, which represents an increase of approximately 0.8% compared to the fiscal year ended December 31, 2007. Expenditures for governmental funds totaled \$1,014.7 million, an increase of 3.6%. In the aggregate, expenditures exceeded revenues by \$260.8 million, or approximately 34.6%. Other financing sources closed the gap, leaving a total net increase in governmental fund balances of \$17.8 million for the year compared to a decrease of \$85.5 million in 2007. Other financing sources include proceeds from issuance of debt, transfers from enterprise funds and receipt of loans receivable transferred from the Neighborhood Improvement Development Corporation component unit.

Chart 3
2008 City Spending by Function - Governmental Funds

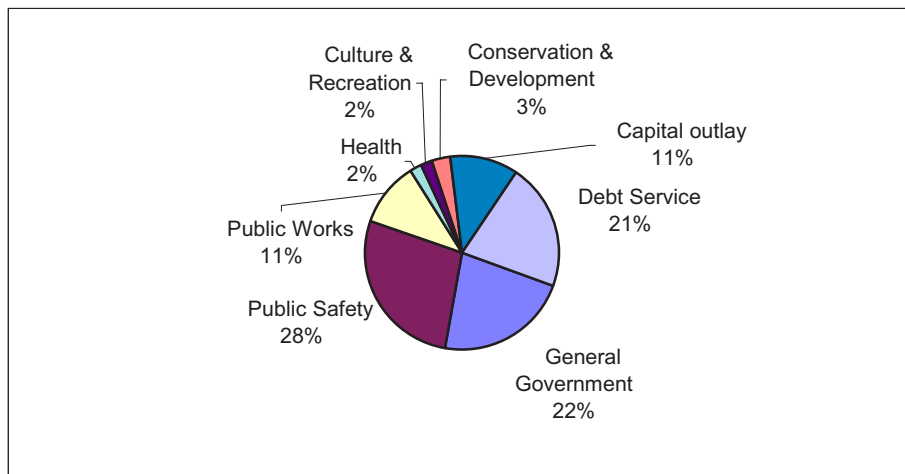
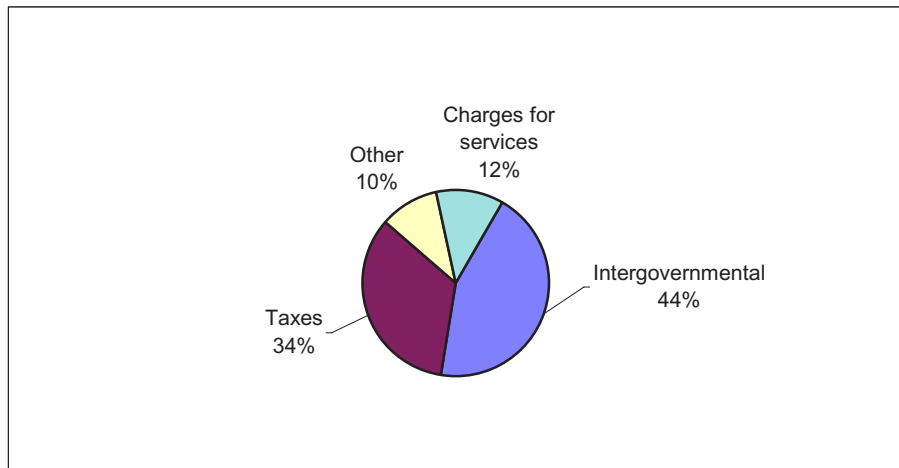


Chart 4
2008 Revenues by Source - Governmental Funds



CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest funding source for day-to-day services. The fund balance of the General Fund decreased by \$17.8 million or 19.6%. Revenues and other financing sources totaled approximately \$695.1 million and expenditures and other financing uses totaled approximately \$712.9 million - detailed in Table 4 below. While revenues remained consistent with the prior year (increasing by 0.77% over 2007), expenditures increased 2.6% over 2007, with expenditures exceeding revenues by 11.6%. Other Financing Sources (consisting of debt proceeds and transfers in from other funds), exceeded Other Financing Uses (consisting of transfers out to other funds) by \$46.5 million. In addition, \$29.5 million was withdrawn from the Reserve for Tax Stabilization to fund the 2008 General Fund budget. This was an increase of \$6.3 million from 2007.

Total General Fund revenues for 2008 totaled \$556.5 million. The largest revenue category is intergovernmental at \$271.1 million with 48.7% of the total revenue. The second largest revenue source is Property Taxes with \$141.6 million or 25.4%. Charges for Services, which includes revenues for services provided by City departments, comprises 15.5% or \$86.4 million. These three categories combined comprise 89.7% of the total revenues for 2008. The largest increase in revenues compared to 2007 was the Charges for Services category with a 13.0% increase.

The following table (Table 4) presents a summary of revenues and expenditures of the General Fund compared to prior year:

Table 4
General Fund
Summary of Revenues, Expenditures and Other Financing Sources and Uses
(Thousands of Dollars)

Revenues and Other Financing Sources				Expenditures and Other Financing Uses			
Revenues:	2007	2008	% Change	Expenditures:	2007	2008	% Change
Property taxes	\$ 137,253	\$ 141,573	3.15%	General government.....	\$ 222,781	\$ 221,023	-0.79%
Other taxes	5,311	4,839	-8.89%	Public safety.....	257,137	266,370	3.59%
Licenses and permits	13,704	12,918	-5.74%	Public works.....	93,956	103,149	9.78%
Intergovernmental	272,539	271,100	-0.53%	Health.....	10,359	10,118	-2.33%
Charges for services	76,496	86,410	12.96%	Culture and recreation	17,548	16,782	-4.37%
Fines and forfeits	5,800	5,277	-9.02%	Conservation and			
Contributions received	22,270	21,532	-3.31%	development	3,279	3,456	5.40%
Other	18,883	12,864	-31.88%		-	-	
Total Revenues	552,256	556,513	0.77%	Total Expenditures	605,060	620,898	2.62%
Other Financing Sources				Other Financing Uses			
Debt proceeds	66,000	91,600		Transfers out	68,079	92,080	35.25%
Transfers in	40,561	47,019	15.92%	Total Expenditures			
Total Revenues and				and other Financing			
Other Financing Sources .	658,817	695,132	5.51%	Uses	\$ 673,139	\$ 712,978	5.92%
Excess of Revenues							
over Expenditures	(52,804)	(64,385)	21.93%				
Net Change in							
Fund Balance	\$ (14,322)	\$ (17,846)	24.61%				

Beginning in 2006, the City began issuing General Obligation Cash-Flow Promissory Notes rather than Revenue Anticipation Notes in advance of receipt of the State Shared Revenues. For 2008, \$90 million was issued. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund (the legal fund established to pay the debt).

The City maintains two separate Debt Service Funds. The General Obligation Debt Fund accounts for resources accumulated and payments made for principal and interest on the City's outstanding long-term general obligation debt. The Public Debt Amortization Fund is governed by State Statutes Section 67.101 whereby accumulated resources can be used for the

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

retirement of the public debt. The General Obligation Debt Service Fund increased its fund balance from \$56.8 million to \$71.2 million or 25.5%. Total revenues of the General Obligation Debt Service increased from \$88.1 million in 2007 to \$102.0 million in 2008. Revenues combined with *Other Financing Sources* totaled \$247.7 million; expenditures combined with *Other Financing Uses* totaled \$233.2 million; resulting in a *Net Change in Fund Balance* for year end 2008 of \$14.5 million. The Public Debt Amortization Fund showed a decrease of 14.8% from \$70.2 million to \$59.8 million at year-end for its fund balance due to net transfers out of \$17.8 million combined with an overall increase of total revenues over expenditures of \$7.4 million.

Capital Projects Funds are used to account for the financial resources segregated for the acquisition, construction, or repair of major capital facilities other than those financed by proprietary funds. At year end, 2008 showed a fund balance deficit of \$37.4 million (an increase in the fund balance of \$29.8 million compared to a fund balance deficit of \$67.2 million in 2007). In 2008, total debt proceeds amounted to \$124.7 million as compared to \$21.3 million in 2007, a 485.5% increase. Total revenues decreased 28% from \$26.8 million to \$19.8 million; expenditures decreased from \$127.3 million to \$114.8 million or 9.8%. The issuance of bonds and notes during 2008 for capital purposes combined with revenues and transfers were sufficient to cover the current year's expenditures in total and thereby reduced the 2008 year end deficit in fund balance by \$29.8 million.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status, but in more detail.

At the end of the fiscal year, the total unrestricted net assets for all enterprise funds were \$47.1 million. This was a decrease from \$60.6 million at December 31, 2007 or 22.3%. This decrease consists of \$8.4 million in Water Works, \$7.4 million in Sewer Maintenance, and offset by an increase of \$0.8 million in Parking and \$1.5 million in the nonmajor enterprise funds.

Total operating revenues of the enterprise funds increased 8.6% from 2007 - \$186.8 million to \$202.9 million in 2008; total operating expenses increased to \$152.9 million in 2008 from \$143.7 million in 2007 or 6.4%. The Water Works is the largest enterprise activity for the City, comprising approximately 36.2% of the total operating revenues. The Sewer Maintenance Fund comprises 20.1% of the total operating revenues. Both funds primarily bill customers based on water consumption. For 2008 Water Works and Sewer Maintenance operating revenues increased 1.4% and 7.9%, respectively; all other enterprise funds combined increased by 15.9%. Water Works nonoperating revenues for 2008 are mainly composed of interest income. Investment income decreased by 60.7%, or \$1,037,000 from 2007. Other miscellaneous nonoperating revenue also decreased from \$304,000 to \$194,000 in 2008. These miscellaneous revenues (fees for servicing of branch water mains and water tapping services) decreased 36.2% from 2007.

The Water Works incurred total operating and nonoperating expenses of \$64.6 million for 2008 compared to \$62.1 million for 2007. Excluding depreciation expense, operating expenses increased over the previous year by \$2.5 million or 5.3%. The nonoperating expenses (interest expense) of the Water Works decreased by \$193,000 due to the declining principal balances on outstanding debt.

Excluding the Water Works, total operating expenses of all other enterprises funds increased 7.9% over 2007.

General Fund Budgetary Highlights

Over the course of the year, the Common Council adopted five resolutions which increased the General Fund appropriations due to greater than anticipated revenues. These increased budgets provided departments additional appropriation authority due to revenue increases related to the additional spending. These appropriations were: \$116,059 and \$58,030 for the Department of City Clerk funding support of City Cable Channel equipment upgrades and other cable purposes; \$188,956 for the Department of Public Works from a Federal Emergency Management Agency (FEMA) grant to address a spring flood; \$440,650 for snow and ice removal costs for the February 2008 snow storm, and \$2,025,000 due to a rate increase relating to snow and ice control and apartment garbage collection fees.

The original budget for expenditures includes the adopted budget plus the encumbrances carried over from 2007 less the encumbrances carried over to 2009. The final budget includes the original budget as defined plus appropriations authorized for carryover from 2007 by the Common Council less those appropriations authorized for carryover to 2009. In addition, certain appropriations are budgeted in a general non-departmental account (i.e. contingency) and are only transferred from this non-departmental appropriation account to specific departments to expend after authorization by the Common Council. These appropriation adjustments are part of the final budget. As detailed in Required Supplementary Information Section,

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Exhibit E-1 shows both the original 2008 General Fund expenditure budget of \$592.1 million and the final budget of \$600.0 million. This is a 2.3% increase over the final 2007 budget of \$586.5 million. The original General Fund revenue budget totaled \$535.6 million with the final budget increasing by \$2.8 million to \$538.4 million. This is a 2.6% increase over the final 2007 revenue budget of \$525.0 million.

For the fiscal year ended December 31, 2008, the General Fund revenue budget exceeded actual revenues by \$3.5 million. However, actual 2008 General Fund revenues exceeded that of the prior year. General Fund actual revenues totaled \$556.5 million in 2008, a \$4.2 million (+0.8%) increase over 2007. Property Taxes and Charges for Services increased by 3.2% and 13.0%, respectively. Noteworthy increases over 2007 actual revenue include a \$9.9 million increase in Charges for Services (\$3.6 million in snow and ice removal fees and \$0.9 million in pavement cut services provided to the Water Works and Sewer Maintenance enterprise funds). All other categories (Other Taxes, Licenses and permits, Intergovernmental, Fines and forfeits and Other) decreased in ranges of 0.5% to 31.9% for a total decrease of \$9.2 million. A major "Other" revenue decrease was interest on investments, declining by \$6.0 million or 31.9%. The average interest earnings rate was 2.743% compared to 5.095% in 2007 with a decrease in the average investable balance from \$244.2 million in 2007 to \$218.2 million in 2008.

The year 2008 also produced an unexpended budget surplus of \$1.2 million. The general government category contributed \$2.8 million; public works reduced the surplus by \$2.5, and public safety, health culture and recreation and conservation and development, in the aggregate, added \$.9 million. Of the \$2.8 million saved by general government departments, \$.4 million was saved by City Attorney collection contract due to unrealized claims. The combined savings from the Comptroller, Employees' Retirement and Department of Employee Relations resulted in a surplus in various fringe benefit costs that were allocated to capital projects rather than to general fund accounts, and thus saved \$1.1 million for the year. The Employees' Retirement incurred a budgetary savings of \$.3 on Group Life Insurance Premiums due to reduced salary levels. Minor savings in other general government departments make up the remaining savings of \$1 million. The Department of Public Works Operations Department incurred a deficit of \$2.6 million relating to snow removal and cleanup efforts. December 2008 was another record setting year for snowfall.

The General Fund Schedule of Expenditures-Budget and Actual (Exhibit I-9) details current year expenditures by department.

The City's General Fund's beginning fund balance of \$90.9 million as reported on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance differs from the General Fund's budgetary fund balance reported in the budgetary comparison schedule by the amount of the budgeted withdrawal from the Reserve for Tax Stabilization of \$29.5 million. Also, for 2008, expenditures of the Public Works category exceeded appropriations in the General Fund in the net amount of \$2.5 million. Of this amount, the Department of Public Works-Operations Division's snow plowing operations were overdrawn \$2.6 million. The Council has approved the issuance of short-term promissory notes to fund this deficit in 2009.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of December 31, 2008 total \$1,711.1 million (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, machinery and equipment, furniture and furnishings, non-utility property, and construction in progress. The total increase in the City's capital assets for the current fiscal year was \$47.8 million or 2.9%. Governmental activities' capital assets increased \$13.5 million or a 1.4% increase from 2007. Business-type activities' capital assets increased \$34.3 million or 4.8% at the end of 2008. A schedule comparing the assets by type for 2007 and 2008 for both governmental and business-type activities is depicted in Table 5 below. The net change in assets as detailed in Note 4 reports that additions were \$26.2 million and deletions were \$12.7 million for 2008 for governmental activities. The Sewer Maintenance Fund had a net change in capital assets that resulted in an increase of \$25.5 million. Of the sewer maintenance fund's net assets at year end, 84.3% relate to the sewer mains infrastructures. Infrastructure net assets of the Water Works comprise 65.9% of its total net assets with 27.8% consisting of machinery and equipment. The total net change in all water works net assets was an increase of 1.8%.

Debt issued to finance tax incremental districts (TID) consists of \$157.9 million outstanding at year end. The majority of these expenditures have no related assets for TID, so net increases in TID debt reduce unrestricted net assets by an equal amount. In addition, debt issued for school purposes at year end was \$87.8 million. The Milwaukee Public Schools (MPS) is a separate governmental entity. By State Statutes, MPS cannot issue its own debt. As a result, the City issues debt for schools purposes. The City has the option of providing funds from its treasury or issue debt to finance school construction, operations and/or maintenance. The City chooses to issue debt. The MPS's assets are not an asset of the City and, as a result, reduced unrestricted net assets by an equal amount.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

Table 5
Capital Assets
 (net of depreciation)
 (Thousands of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2008	2007	2008	2007	2008
Capital assets not being depreciated:						
Land	\$ 163,769	\$ 163,797	\$ 16,115	\$ 18,167	\$ 179,884	\$ 181,964
Construction in progress	106,357	123,768	52,699	61,966	159,056	185,734
Capital assets being depreciated:.....						
Buildings	194,137	194,782	85,000	85,421	279,137	280,203
Infrastructure	1,337,345	1,355,649	664,521	713,333	2,001,866	2,068,982
Improvements other than buildings	11,198	11,573	27,300	7,717	38,498	19,290
Machinery and equipment	145,659	162,573	211,792	212,266	357,451	374,839
Nonutility property	-	-	5,316	5,509	5,316	5,509
Accumulated depreciation	<u>(1,016,522)</u>	<u>(1,056,667)</u>	<u>(341,403)</u>	<u>(348,781)</u>	<u>(1,357,925)</u>	<u>(1,405,448)</u>
Total	\$ 941,943	\$ 955,475	\$ 721,340	\$ 755,598	\$ 1,663,283	\$ 1,711,073

Debt

At year-end, the City had \$760.6 million in general obligation bonds and notes, \$49.7 million in State loans, and \$61.2 million in revenue bonds outstanding as itemized in Table 6.

New debt (excluding refunding bonds) issued for general obligation bonds and notes totaled \$239.0 million, of which \$1.6 million related to Sewer Maintenance, Parking, and Port Enterprises.

The City continues to maintain high investment grade ratings from the three major rating agencies. A rating of AA+ from Fitch Ratings, AA from Standard and Poor's Corporation, and Aa2 from Moody's Investors Service, Inc, were received on the City's July 2008 general obligation bonds issues.

The City's gross general obligation debt per capita, excluding enterprise fund debt, was \$1,038 at the end of 2007, and \$1,127 at the end of 2008; a 8.6% increase from the prior year. As of December 31, 2008, the City's outstanding net general obligation debt for governmental activities was 2.09% of the City's total taxable value of property. (Statistical Section - Table 9) The legal debt limit is 7% of equalized property value, including Milwaukee Public Schools debt, which also is issued by the City. Excluding the 2% limit on School debt, the City has a 5% legal debt limit and has reached about 43.2% of this limit. The City issues general obligation notes to purchase a portion of General Fund delinquent taxes. During 2008, notes were issued in the amount of approximately \$21.1 million. Collections on these taxes and related interest will be used to meet the related debt service requirements.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

Table 6
Outstanding Debt
General Obligation and Revenue Bonds
(Thousand of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2008	2007	2008	2007	2008
General obligation bonds and notes (backed by the City)	\$ 669,404	\$ 725,670	\$ 58,936	\$ 34,970	\$ 728,340	\$ 760,640
State loans	-	-	14,369	49,653	14,369	49,653
Revenue bonds (backed by specific fee revenues)	-	-	64,711	61,170	64,711	61,170
Total	\$ 669,404	\$ 725,670	\$ 138,016	\$ 145,793	\$ 807,420	\$ 871,463

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Total property taxes levied for all funds of the City in 2008 for 2009 purposes increased \$.08 per thousand dollars of assessed valuation to a rate of \$8.09. The 2007 for 2008 rate increased \$.02 (from \$7.99 to \$8.01).

The property tax levy will provide \$123.7 million revenue for the general city purposes budget in 2009. This represents an increase of \$19.7 million from 2008 or 18.9%. The total City tax levy increased from \$227.5 million for 2008 to \$237 million for 2009 or a \$7.4 million increase. The 2009 budget includes \$87.2 million in revenue from charges for services, an increase of \$6.6 million. This category of funding encompasses revenue received for services provided by City operating departments. The Solid Waste Fee is the largest revenue source in this category and is expected to generate \$28.5 million for 2009. This fee represents 32.7% of the total charges for services in the 2009 budget. The Street Sweeping and Leaf Collection Fee is expected to generate \$10.1 million for 2009; a 102% increase from 2008 due to a rate increase. This Fee now comprises 11.5% of the total charges for services for 2009 compared to 6.2% in 2008.

Estimated intergovernmental revenues, primarily from the State of Wisconsin, are projected to total \$272.3 million; a slight increase of \$1 million from 2008 or less than one-half of one percent.

The 2009 adopted City Budget is about \$1.4 billion with the budget for the General Fund at \$667.1 million. The General Fund budget increased 3.9% over the 2008 budget of \$642.1 million. In 2009, the City will expend \$114.9 million for health insurance and related costs compared to \$109.9 million budgeted for 2008, an increase of 4.6%. Another major increase from 2008 is the cost of salaries and wages, including pending labor contract settlements and cost of living rate increases, direct salaries, vacation pay, holiday pay and other salary related payments. This increase totals \$13 million over 2008, or a plus 3.6%. Estimated Full-time Equivalent (FTE) employment for all General Fund departments reflects a decrease of 66 FTE with the Fire Department having a decrease of 36 FTE and the Library Department decreasing by 21 FTE's for 2009.

The City remains in sound financial condition, as demonstrated by the financial statements and schedules included in this report. However, the General Fund reserve for tax stabilization decreased from its 12/31/07 balance of \$62.7 million to \$42.4 million at 12/31/08. With expected limitations on additional state shared revenues, a potential increase in the City contribution to the Employees Retirement System and record snowfalls resulting in a shortfall for this purpose of over \$2.6 million, the City is currently taking action to restrain spending and increase revenues in 2009. Initiatives include a hiring freeze, significant fee increases and a mandatory furlough during 2009. This plan is further explained in the Letter of Transmittal section of this report.

The unemployment rate for 2008 is 7.9%, a 21.5% increase over the previous year. The per capita income for the most recent fiscal year available (2007) was \$35,852 - a 5.1% increase from 2006.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

The City's population over the last five years is depicted in the table below. This data is estimated from the Wisconsin Department of Revenue used in the distribution of State Shared Taxes and differs from the U.S. Census Bureau.

2004	593,920
2005	592,765
2006	590,370
2007	590,190
2008	590,870

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it received. If you have questions about this report or need additional financial information, contact the City of Milwaukee, Office of the City Comptroller, Office, City Hall, 200 East Wells Street Room 404, Milwaukee, WI 53202.

**BASIC
FINANCIAL
STATEMENTS**

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
December 31, 2008
(Thousands of Dollars)

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 244,043	\$ 51,823	\$ 295,866	\$ 57,404
Investments	6,126	-	6,126	3,559
Receivables (net):				
Taxes	198,563	-	198,563	-
Accounts	18,745	38,562	57,307	1,983
Unbilled accounts	1,135	14,629	15,764	-
Special assessments	14,216	-	14,216	-
Notes and loans	53,700	-	53,700	90,920
Accrued interest	606	38	644	3,689
Due from component units	18,434	-	18,434	-
Due from primary government	-	-	-	118
Due from other governmental agencies	230,513	1,073	231,586	17,552
Inventory of materials and supplies	7,519	2,331	9,850	-
Inventory of property for resale	26	-	26	7,925
Prepaid items	354	447	801	897
Deferred charges	2,050	422	2,472	1,115
Other assets	-	286	286	504
 Total Noncapital Assets	 796,030	 109,611	 905,641	 185,666
Capital assets:				
Capital assets not being depreciated:				
Land	163,797	18,167	181,964	54,187
Construction in progress	123,768	61,966	185,734	2,301
Capital assets being depreciated:				
Buildings	194,782	85,421	280,203	480,524
Infrastructure	1,355,649	713,333	2,068,982	789
Improvements other than buildings	11,573	7,717	19,290	1,531
Machinery and equipment	162,573	212,266	374,839	3,277
Nonutility property	-	5,509	5,509	-
Accumulated depreciation	(1,056,667)	(348,781)	(1,405,448)	(232,498)
 Total Capital Assets	 955,475	 755,598	 1,711,073	 310,111
 Total Assets	 1,751,505	 865,209	 2,616,714	 495,777

Exhibit 1 (Continued)

37

CITY OF MILWAUKEE
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2008
 (Thousands of Dollars)

Exhibit 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 208,608	\$ 12,589	\$ 1,981	\$ -
Public safety	314,935	17,998	13,564	-
Public works	174,629	53,348	6,047	-
Health	20,830	644	10,630	-
Culture and recreation	20,639	1,443	2,076	-
Conservation and development	61,693	388	21,202	-
Capital contribution to Milwaukee Public				
Schools	6,474	-	-	-
Contributions	22,177	-	21,532	-
Interest on long-term debt	28,368	-	-	-
Total Governmental Activities	858,353	86,410	77,032	-
Business-type Activities:				
Water	64,562	73,731	-	900
Sewer Maintenance	29,167	40,724	-	3,779
Parking	25,078	43,961	-	-
Port of Milwaukee	4,182	5,017	-	5,524
Metropolitan Sewerage District				
User Charges	40,219	40,079	-	-
Total Business-type Activities	163,208	203,512	-	10,203
Total Primary Government	\$ 1,021,561	\$ 289,922	\$ 77,032	\$ 10,203
Component units:				
Housing Authority	\$ 85,254	\$ 19,876	\$ 48,509	\$ 11,833
Redevelopment Authority	11,772	5,997	5,021	3,263
Milwaukee Economic Development Authority	4,830	3,505	772	-
Neighborhood Improvement Development Corporation				
Corporation	636	459	1,296	-
Total Component Units	\$ 102,492	\$ 29,837	\$ 55,598	\$ 15,096

General revenues:

Property taxes and other taxes
State aids for General Fund
Miscellaneous
Transfers
Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning, as restated (note 1w)

Net Assets - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (194,038)		\$ (194,038)	
(283,373)		(283,373)	
(115,234)		(115,234)	
(9,556)		(9,556)	
(17,120)		(17,120)	
(40,103)		(40,103)	
(6,474)		(6,474)	
(645)		(645)	
(28,368)		(28,368)	
<u>(694,911)</u>		<u>(694,911)</u>	
-	\$ 10,069	10,069	
-	15,336	15,336	
-	18,883	18,883	
-	6,359	6,359	
-			
-	(140)	(140)	
-	50,507	50,507	
<u>(694,911)</u>	<u>50,507</u>	<u>(644,404)</u>	
			\$ (5,036)
			2,509
			(553)
			<u>1,119</u>
			<u>(1,961)</u>
257,210	-	257,210	-
271,100	-	271,100	-
61,949	979	62,928	7,695
38,052	(38,052)	-	-
<u>628,311</u>	<u>(37,073)</u>	<u>591,238</u>	<u>7,695</u>
(66,600)	13,434	(53,166)	5,734
<u>373,755</u>	<u>651,688</u>	<u>1,025,443</u>	<u>308,114</u>
<u>\$ 307,155</u>	<u>\$ 665,122</u>	<u>\$ 972,277</u>	<u>\$ 313,848</u>

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**FUND
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit A-1

	General
ASSETS	
Assets:	
Cash and cash equivalents	\$ 74,671
Investments	173
Receivables (net):	
Taxes	128,946
Accounts	17,764
Unbilled accounts	1,135
Special assessments	-
Notes and loans	70
Accrued interest	490
Due from other funds	58,576
Due from component units	1,018
Due from other governmental agencies	4,753
Advances to other funds	13,367
Inventory of materials and supplies	7,222
Inventory of property for resale	26
Prepaid items	354
Total Assets	<u>\$ 308,565</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 27,539
Accrued expenses	32,477
Due to other funds	1,438
Due to component units	1
Due to other governmental agencies	-
Deferred revenue	174,103
Revenue anticipation notes payable	-
Advances from other funds	-
Total Liabilities	<u>235,558</u>
Fund Balances:	
Reserved for debt service	-
Reserved for delinquent taxes receivable	-
Reserved for economic development	-
Reserved for encumbrances, prepaids, and carryovers	22,865
Reserved for inventory	7,248
Reserved for mortgage trust	173
Reserved for environmental remediation	303
Reserved for tax stabilization - 2009	22,379
Reserved for tax stabilization - 2010 and subsequent years' budgets and advances to other funds	20,039
Unreserved:	
Undesignated	-
Special assessment (deficit)	-
Total Fund Balances	<u>73,007</u>
Total Liabilities and Fund Balances	<u>\$ 308,565</u>

The notes to the financial statements are an integral part of this statement.

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 112,942	\$ 33,849	\$ 7,058	\$ 15,523	\$ 244,043
-	5,953	-	-	6,126
55,576	-	3,826	10,215	198,563
-	-	595	386	18,745
-	-	-	-	1,135
-	-	14,216	-	14,216
13,855	20,005	-	19,770	53,700
74	42	-	-	606
-	-	-	-	58,576
16,889	-	457	70	18,434
210,000	-	3,872	11,888	230,513
-	-	-	-	13,367
-	-	297	-	7,519
-	-	-	-	26
-	-	-	-	354
<u>\$ 409,336</u>	<u>\$ 59,849</u>	<u>\$ 30,321</u>	<u>\$ 57,852</u>	<u>\$ 865,923</u>
\$ 7	\$ -	\$ 11,895	\$ 3,972	\$ 43,413
20	-	191	183	32,871
2,840	-	18,987	7,516	30,781
-	-	60	57	118
-	-	-	502	502
125,229	-	23,172	9,514	332,018
210,000	-	-	-	210,000
-	-	13,367	-	13,367
<u>338,096</u>	<u>-</u>	<u>67,672</u>	<u>21,744</u>	<u>663,070</u>
71,240	59,849	-	12,689	143,778
-	-	-	8,213	8,213
-	-	-	737	737
-	-	1,423	-	24,288
-	-	297	-	7,545
-	-	-	-	173
-	-	-	-	303
-	-	-	-	22,379
-	-	-	-	20,039
-	-	(26,913)	14,469	(12,444)
-	-	(12,158)	-	(12,158)
<u>71,240</u>	<u>59,849</u>	<u>(37,351)</u>	<u>36,108</u>	<u>202,853</u>
<u>\$ 409,336</u>	<u>\$ 59,849</u>	<u>\$ 30,321</u>	<u>\$ 57,852</u>	<u>\$ 865,923</u>

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CITY OF MILWAUKEE
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit A-2

Fund balances - total governmental funds \$ 202,853

Amounts reported for governmental activities in the statement of net assets (Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 163,797
Buildings, net of \$74,784 accumulated depreciation	119,998
Infrastructure, net of \$883,878 accumulated depreciation	471,771
Improvements other than buildings, net of \$7,469 accumulated depreciation	4,104
Machinery and equipment, net of \$90,536 accumulated depreciation	72,037
Construction in progress	<u>123,768</u>

955,475

Deferred charges for debt issuance costs are not available to pay for current-period expenditures and therefore are deferred in the funds.

2,050

Some revenues are deferred in the funds because they are not available to pay current period's expenditures.

Taxes to be collected after year-end	9,471
Special assessments to be collected after year-end	12,922
Notes and loans receivable to repay long-term bonds and notes	<u>13,855</u>

36,248

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets.

Accrued interest payable	(10,737)
Bonds and notes payable	(725,670)
Deferred amount on refunding	5,197
Unamortized premiums	(22,882)
Compensated absences	(31,208)
Net other postemployment benefits obligation	(75,705)
Claims and judgments	<u>(28,466)</u>

(889,471)

Total net assets of governmental activities (Exhibit 1) **\$ 307,155**

The notes to the financial statements are an integral part of this reconciliation.

CITY OF MILWAUKEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit A-3

	General
Revenues:	
Property taxes	\$ 141,573
Other taxes	4,839
Special assessments	-
Licenses and permits	12,918
Intergovernmental	271,100
Charges for services	86,410
Fines and forfeits	5,277
Contributions received	21,532
Other	12,864
Total Revenues	<u>556,513</u>
Expenditures:	
Current:	
General government	221,023
Public safety	266,370
Public works	103,149
Health	10,118
Culture and recreation	16,782
Conservation and development	3,456
Capital outlay	-
Debt Service:	
Principal retirement	-
Interest	-
Bond issuance costs	-
Total Expenditures	<u>620,898</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(64,385)</u>
Other Financing Sources (Uses):	
General obligation bonds and notes issued	91,600
Loans receivable activities	-
Issuance premium	-
Transfers in	47,019
Transfers out	(92,080)
Total Other Financing Sources and Uses	<u>46,539</u>
Net Change in Fund Balances	(17,846)
Fund Balances - Beginning	<u>90,853</u>
Fund Balances - Ending	<u>\$ 73,007</u>

The notes to the financial statements are an integral part of this statement.

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 74,201	\$ -	\$ 7,206	\$ 4,657	\$ 227,637
20,187	2,720	-	-	27,746
-	-	3,631	-	3,631
-	-	-	-	12,918
1,067	-	7,048	54,130	333,345
1,814	-	-	-	88,224
-	-	-	-	5,277
-	-	-	-	21,532
<u>4,722</u>	<u>4,727</u>	<u>1,916</u>	<u>9,334</u>	<u>33,563</u>
<u>101,991</u>	<u>7,447</u>	<u>19,801</u>	<u>68,121</u>	<u>753,873</u>
296	4	-	3,121	224,444
-	-	-	13,564	279,934
-	-	-	6,047	109,196
-	-	-	10,630	20,748
-	-	-	2,076	18,858
-	-	-	28,340	31,796
-	-	114,825	-	114,825
181,102	-	-	-	181,102
33,637	-	-	-	33,637
147	-	-	-	147
<u>215,182</u>	<u>4</u>	<u>114,825</u>	<u>63,778</u>	<u>1,014,687</u>
<u>(113,191)</u>	<u>7,443</u>	<u>(95,024)</u>	<u>4,343</u>	<u>(260,814)</u>
-	-	124,693	21,075	237,368
-	-	-	(518)	(518)
3,694	-	-	-	3,694
142,003	11,192	859	-	201,073
<u>(18,044)</u>	<u>(28,981)</u>	<u>(686)</u>	<u>(23,230)</u>	<u>(163,021)</u>
<u>127,653</u>	<u>(17,789)</u>	<u>124,866</u>	<u>(2,673)</u>	<u>278,596</u>
14,462	(10,346)	29,842	1,670	17,782
<u>56,778</u>	<u>70,195</u>	<u>(67,193)</u>	<u>34,438</u>	<u>185,071</u>
<u>\$ 71,240</u>	<u>\$ 59,849</u>	<u>\$ (37,351)</u>	<u>\$ 36,108</u>	<u>\$ 202,853</u>

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CITY OF MILWAUKEE
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
FOR THE YEAR ENDED DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit A-4

Net change in fund balances - total governmental funds (Exhibit A-3)	\$ 17,782
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$60,561) exceeded depreciation expense (\$46,556) in the current period less loss on disposals (\$473)	13,532
Notes and loans receivable to repay long-term bonds and notes	(1,074)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.	
Taxes accrued in prior years	\$ 1,827
Special assessments deferred revenue beginning of the year \$13,930 less deferred at end of the year \$12,922	<u>(1,008)</u>
	819
The issuance of long-term debt (bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Debt issued:	
Bonds and notes issued	(237,368)
Issuance premiums	(3,694)
Repayments:	
Principal retirement	181,102
Bond issuance costs	147
Amortization:	
Issuance costs	(418)
Premiums	6,587
Deferred amount on refunding	<u>(1,256)</u>
	(54,900)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. The adjustment combines the net changes of the following balances.	
Compensated absences	(424)
Net other postemployment benefits obligation	(38,828)
Claims and judgments	(3,445)
Accrued interest on bonds and notes	<u>(62)</u>
	<u>(42,759)</u>
Changes in net assets of governmental activities (Exhibit 2)	<u>\$ (66,600)</u>

The notes to the financial statements are an integral part of this reconciliation.

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit B-1

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 18,897	\$ -	\$ 21,991	\$ -	\$ 40,888
Restricted cash and cash equivalents	655	1,548	-	-	2,203
Receivables (net):					
Accounts	13,603	12,079	4	12,876	38,562
Unbilled accounts	9,668	2,268	-	2,693	14,629
Accrued interest	34	4	-	-	38
Due from other funds	4,278	537	-	534	5,349
Due from other governmental agencies	-	-	-	1,073	1,073
Inventory of materials and supplies	2,331	-	-	-	2,331
Prepaid items	447	-	-	-	447
Deferred charges	-	422	-	-	422
Other assets	286	-	-	-	286
Total Current Assets	<u>50,199</u>	<u>16,858</u>	<u>21,995</u>	<u>17,176</u>	<u>106,228</u>
Noncurrent assets:					
Restricted cash and cash equivalents	-	8,732	-	-	8,732
Capital assets:					
Capital assets not being depreciated:					
Land	1,936	-	8,440	7,791	18,167
Construction in progress	10,975	46,304	4,687	-	61,966
Capital assets being depreciated:					
Buildings	21,292	-	50,645	13,484	85,421
Infrastructure	331,142	366,635	-	15,556	713,333
Improvements other than buildings	-	-	5,429	2,288	7,717
Machinery and equipment	201,582	4,320	1,645	4,719	212,266
Nonutility property	5,509	-	-	-	5,509
Accumulated depreciation	<u>(188,676)</u>	<u>(106,720)</u>	<u>(32,260)</u>	<u>(21,125)</u>	<u>(348,781)</u>
Net Capital Assets	<u>383,760</u>	<u>310,539</u>	<u>38,586</u>	<u>22,713</u>	<u>755,598</u>
Total Noncurrent Assets	<u>383,760</u>	<u>319,271</u>	<u>38,586</u>	<u>22,713</u>	<u>764,330</u>
Total Assets	<u>433,959</u>	<u>336,129</u>	<u>60,581</u>	<u>39,889</u>	<u>870,558</u>

Exhibit B-1 (Continued)

51

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CITY OF MILWAUKEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008
 (Thousands of Dollars)

Exhibit B-2

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Operating Revenues:					
Charges for Services:					
Water sales	\$ 59,626	\$ -	\$ -	\$ -	\$ 59,626
Statutory sewer user fee	-	-	-	38,968	38,968
Sewer maintenance fee	-	40,724	-	-	40,724
Rent	-	-	7,842	5,017	12,859
Fire protection service	6,384	-	-	-	6,384
Parking meters	-	-	3,803	-	3,803
Parking permits	-	-	3,014	-	3,014
Vehicle towing	-	-	6,725	-	6,725
Parking forfeitures	-	-	22,223	-	22,223
Other	7,527	-	-	1,111	8,638
Total Operating Revenues	<u>73,537</u>	<u>40,724</u>	<u>43,607</u>	<u>45,096</u>	<u>202,964</u>
Operating Expenses:					
Milwaukee Metropolitan Sewerage District charges ..	-	-	-	35,429	35,429
Employee services	-	8,179	7,437	1,888	17,504
Administrative and general	6,631	-	-	42	6,673
Depreciation	13,117	4,409	2,060	1,219	20,805
Transmission and distribution	19,875	-	-	3,318	23,193
Services, supplies, and materials	-	8,155	15,015	1,051	24,221
Water treatment	13,698	-	-	-	13,698
Water pumping	7,271	-	-	-	7,271
Billing and collection	2,789	-	-	1,333	4,122
Total Operating Expenses	<u>63,381</u>	<u>20,743</u>	<u>24,512</u>	<u>44,280</u>	<u>152,916</u>
Operating Income	<u>10,156</u>	<u>19,981</u>	<u>19,095</u>	<u>816</u>	<u>50,048</u>
Nonoperating Revenues (Expenses):					
Investment income	670	309	-	-	979
Interest expense	(1,181)	(3,424)	(550)	(120)	(5,275)
Gain (Loss) on disposal of fixed assets	-	-	(16)	-	(16)
Other	194	(5,000)	354	(1)	(4,453)
Total Nonoperating Revenues (Expenses)	<u>(317)</u>	<u>(8,115)</u>	<u>(212)</u>	<u>(121)</u>	<u>(8,765)</u>
Income before Contributions and Transfers.....	9,839	11,866	18,883	695	41,283
Capital contributions	900	3,779	-	5,524	10,203
Transfers in	-	-	-	667	667
Transfers out	<u>(8,696)</u>	<u>(9,310)</u>	<u>(18,695)</u>	<u>(2,018)</u>	<u>(38,719)</u>
Change in Net Assets	2,043	6,335	188	4,868	13,434
Total Net Assets - Beginning	<u>387,769</u>	<u>206,876</u>	<u>47,034</u>	<u>10,009</u>	<u>651,688</u>
Total Net Assets - Ending	<u>\$ 389,812</u>	<u>\$ 213,211</u>	<u>\$ 47,222</u>	<u>\$ 14,877</u>	<u>\$ 665,122</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit B-3

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 73,075	\$ 39,831	\$ 43,771	\$ 41,644	\$ 198,321
Payments to suppliers	(19,611)	(6,801)	(14,999)	(41,178)	(82,589)
Payments to employees	(24,061)	(7,829)	(7,162)	(1,810)	(40,862)
Payments from other funds	-	7,429	-	3,348	10,777
Payments to other funds	(6,610)	-	-	(391)	(7,001)
Net Cash Provided by Operating Activities.....	<u>22,793</u>	<u>32,630</u>	<u>21,610</u>	<u>1,613</u>	<u>78,646</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Miscellaneous nonoperating revenue	194	-	-	-	194
Other nonoperating expenses	-	(5,000)	-	-	(5,000)
Transfers from other funds	-	-	-	667	667
Transfers to other funds	(8,696)	(9,310)	(18,695)	(2,018)	(38,719)
Net Cash Used for Noncapital Financing Activities	<u>(8,502)</u>	<u>(14,310)</u>	<u>(18,695)</u>	<u>(1,351)</u>	<u>(42,858)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital contributions	-	200	-	379	579
Proceeds from sale of bonds and notes	-	36,217	1,228	54	37,499
Proceeds from sale of revenue bonds	-	-	-	-	-
Acquisition of property, plant, and equipment	(19,708)	(26,326)	(1,218)	(32)	(47,284)
Retirement of bonds, notes, and revenue bonds	(3,737)	(23,284)	(2,219)	(483)	(29,723)
Interest paid	(1,243)	(4,063)	(554)	(180)	(6,040)
Other	-	-	354	-	354
Net Cash Used for Capital and Related Financing Activities	<u>(24,688)</u>	<u>(17,256)</u>	<u>(2,409)</u>	<u>(262)</u>	<u>(44,615)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	<u>767</u>	<u>331</u>	<u>-</u>	<u>-</u>	<u>1,098</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(9,630)	1,395	506	-	(7,729)
Cash and Cash Equivalents - Beginning	<u>29,182</u>	<u>8,885</u>	<u>21,485</u>	<u>-</u>	<u>59,552</u>
Cash and Cash Equivalents - Ending	<u>\$ 19,552</u>	<u>\$ 10,280</u>	<u>\$ 21,991</u>	<u>\$ -</u>	<u>\$ 51,823</u>

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit B-3 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Cash and Cash Equivalents at Year-End Consist of:					
Unrestricted Cash	\$ 18,897	\$ -	\$ 21,991	\$ -	\$ 40,888
Restricted Cash	<u>655</u>	<u>10,280</u>	<u>-</u>	<u>-</u>	<u>10,935</u>
	<u>\$ 19,552</u>	<u>\$ 10,280</u>	<u>\$ 21,991</u>	<u>\$ -</u>	<u>\$ 51,823</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income	\$ 10,156	\$ 19,981	\$ 19,095	\$ 816	\$ 50,048
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	13,117	4,409	2,060	1,219	20,805
Changes in assets and liabilities:					
Receivables	(901)	(1,642)	142	(3,379)	(5,780)
Due from other funds	(80)	748	-	583	1,251
Due from other governmental agencies	-	-	-	(73)	(73)
Inventories	14	-	-	-	14
Prepaid items	(354)	-	-	-	(354)
Other assets	(182)	-	-	-	(182)
Accounts payable	625	1,354	15	(5)	1,989
Accrued liabilities	398	351	275	78	1,102
Due to other funds	-	7,429	-	2,374	9,803
Deferred revenue	<u>-</u>	<u>-</u>	<u>23</u>	<u>-</u>	<u>23</u>
Net Cash Provided by Operating Activities	<u>\$ 22,793</u>	<u>\$ 32,630</u>	<u>\$ 21,610</u>	<u>\$ 1,613</u>	<u>\$ 78,646</u>

Non-cash Activities:

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of \$.9 million.

During the year, the Sewer Maintenance Fund removed infrastructure assets costing \$109,497 with a net value of \$0, and, received donated assets in the amount of \$3.779 million.

The notes to the financial statements are an integral part of this statement.

Exhibit C-1

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit C-2

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts
Additions		
Contributions:		
Plan members	\$ 1,366	\$ -
Private donations	-	1,027
Total Contributions	<u>1,366</u>	<u>1,027</u>
Investment earnings:		
Net appreciation in fair value of investments, dividends and interest	-	323
Total Additions	<u>1,366</u>	<u>1,350</u>
Deductions		
Benefits	1,288	-
Fees remitted from Trust	-	598
Other	-	217
Total Deductions	<u>1,288</u>	<u>815</u>
Change in Net Assets	78	535
Net Assets - Beginning	<u>273</u>	<u>5,415</u>
Net Assets - Ending	<u>\$ 351</u>	<u>\$ 5,950</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit D-1

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 24,779	\$ 27,286	\$ 3,589	\$ 1,750	\$ 57,404
Investments	2,959	300	-	300	3,559
Receivables (net):					
Accounts	1,581	261	69	72	1,983
Notes and loans	32,944	18,000	39,491	485	90,920
Accrued interest	3,306	76	196	111	3,689
Due from primary government	-	118	-	-	118
Due from other governmental agencies	1,594	366	15,592	-	17,552
Inventory of property for resale	-	3,888	1,540	2,497	7,925
Prepaid items	852	45	-	-	897
Deferred charges	256	859	-	-	1,115
Other assets	403	-	101	-	504
Total Noncapital Assets	<u>68,674</u>	<u>51,199</u>	<u>60,578</u>	<u>5,215</u>	<u>185,666</u>
Capital assets:					
Capital assets not being depreciated:					
Land and land improvements	40,704	13,483	-	-	54,187
Construction in progress	2,301	-	-	-	2,301
Capital assets being depreciated:					
Buildings	387,536	92,988	-	-	480,524
Infrastructure	-	789	-	-	789
Improvements other than buildings	731	800	-	-	1,531
Machinery and equipment	3,085	-	192	-	3,277
Accumulated depreciation	(226,625)	(5,764)	(109)	-	(232,498)
Total Capital Assets, Net of Depreciation	<u>207,732</u>	<u>102,296</u>	<u>83</u>	<u>-</u>	<u>310,111</u>
Total Assets	<u>276,406</u>	<u>153,495</u>	<u>60,661</u>	<u>5,215</u>	<u>495,777</u>

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit D-1 (Continued)

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 3,424	\$ 2,837	\$ 492	\$ 313	\$ 7,066
Accrued expenses	3,929	2,583	-	-	6,512
Due to other governmental agencies	1,069	956	150	-	2,175
Deferred revenue	20	894	-	232	1,146
Other liabilities	<u>2,989</u>	<u>2,648</u>	<u>969</u>	<u>331</u>	<u>6,937</u>
Total Current Liabilities	<u>11,431</u>	<u>9,918</u>	<u>1,611</u>	<u>876</u>	<u>23,836</u>
Due to primary government:					
Due within one year	706	-	-	59	765
Due in more than one year	<u>-</u>	<u>16,257</u>	<u>1,412</u>	<u>-</u>	<u>17,669</u>
Total Due to Primary Government	<u>706</u>	<u>16,257</u>	<u>1,412</u>	<u>59</u>	<u>18,434</u>
Long-term obligations:					
Due within one year	5,278	-	-	-	5,278
Due in more than one year	<u>43,887</u>	<u>86,347</u>	<u>4,147</u>	<u>-</u>	<u>134,381</u>
Total Noncurrent Liabilities	<u>49,165</u>	<u>86,347</u>	<u>4,147</u>	<u>-</u>	<u>139,659</u>
Total Liabilities	<u>61,302</u>	<u>112,522</u>	<u>7,170</u>	<u>935</u>	<u>181,929</u>
NET ASSETS:					
Invested in capital assets, net of related debt ...	161,161	25,824	-	-	186,985
Restricted	8,687	4,324	-	1,185	14,196
Temporarily restricted	-	-	8,184	-	8,184
Unrestricted	<u>45,256</u>	<u>10,825</u>	<u>45,307</u>	<u>3,095</u>	<u>104,483</u>
Total Net Assets	<u>\$ 215,104</u>	<u>\$ 40,973</u>	<u>\$ 53,491</u>	<u>\$ 4,280</u>	<u>\$ 313,848</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
 FOR THE YEAR ENDED DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit D-2

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Housing Authority				
Low income housing	\$ 85,254	\$ 19,876	\$ 48,509	\$ 11,833
Redevelopment Authority				
Prevention and elimination of blight	11,772	5,997	5,021	3,263
Milwaukee Economic Development Corporation				
Increase employment and expansion of business ..	4,830	3,505	772	-
Neighborhood Improvement Development Corp.				
Housing improvements	<u>636</u>	<u>459</u>	<u>1,296</u>	<u>-</u>
Total Component Units	<u>\$102,492</u>	<u>\$ 29,837</u>	<u>\$ 55,598</u>	<u>\$ 15,096</u>
General revenues:				
Miscellaneous				
Total General Revenues				
Change in Net Assets				
Net Assets - Beginning.....				
Net Assets - Ending				

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets				
Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
\$ (5,036)	\$ -	\$ -	\$ -	\$ (5,036)
-	2,509	-	-	2,509
-	-	(553)	-	(553)
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,119</u>	<u>1,119</u>
<u>(5,036)</u>	<u>2,509</u>	<u>(553)</u>	<u>1,119</u>	<u>(1,961)</u>
<u>6,664</u>	<u>615</u>	<u>379</u>	<u>37</u>	<u>7,695</u>
<u>6,664</u>	<u>615</u>	<u>379</u>	<u>37</u>	<u>7,695</u>
1,628	3,124	(174)	1,156	5,734
<u>213,476</u>	<u>37,849</u>	<u>53,665</u>	<u>3,124</u>	<u>308,114</u>
<u>\$ 215,104</u>	<u>\$ 40,973</u>	<u>\$ 53,491</u>	<u>\$ 4,280</u>	<u>\$313,848</u>

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**NOTES
TO THE
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

A. Reporting Entity

The City of Milwaukee (the "City") was incorporated on January 31, 1846, and operates under a Council-Mayor form of government. These financial statements present the City (the primary government) and other organizations, including component units, for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are legally separate organizations for which the elected officials of the City are accountable. The City is considered financially accountable if it appoints a voting majority of the organization's governing body and is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefits to or burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the primary government.

Discretely Presented Component Units

The component units columns in the government-wide financial statements includes the financial data of the City's component units. They are reported in a separate column to emphasize that they are legally separate from the City. The City has the following discretely presented component units:

Housing Authority - This entity is used to account for the Federal and State grants relating primarily to low-income housing and rental assistance programs. The entire governing board is appointed by the Mayor of the City. The daily operations of the Housing Authority of the City of Milwaukee (HACM) are managed by City employees.

Redevelopment Authority - The Redevelopment Authority of the City of Milwaukee (RACM) is responsible for activities related to the prevention and elimination of blighted conditions in the City. The City appoints all members of the Board and approves the budget.

Milwaukee Economic Development Corporation - The Milwaukee Economic Development Corporation (MEDC) is a non-profit organization formed to promote economic development within the City. The principal objective of the corporation is to benefit the community by fostering increased employment through expansion of business and industry within the metropolitan Milwaukee area. MEDC's primary source of funds is interest on loans originally granted through the City.

Neighborhood Improvement Development Corporation - The Neighborhood Improvement Development Corporation (NIDC) is a nonprofit organization established to promote reinvestment in both housing and commercial structures within the City. NIDC programs encourage private lending institutions and property owners to make improvements to the community's homes and businesses. Corporate officers of NIDC are provided by the City and daily operations are managed by City employees.

Financial statements of the individual component units can be obtained from their respective administrative offices. Addresses of the component units are as follows: HACM, 809 North Broadway, 3rd Floor, Milwaukee, Wisconsin 53202; RACM, 809 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202; MEDC, 809 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202; and NIDC, 841 North Broadway, Room 105, Milwaukee, Wisconsin 53202.

The basic financial statements exclude the accounts of the Wisconsin Center District, Milwaukee Public Schools, the Milwaukee Metropolitan Sewerage District, World Festivals Inc. ("Summerfest") and the Employees' Retirement System of the City of Milwaukee, because these entities operate with separate governing boards and do not meet the criteria established by the GASB Statement 14 as component units of the City. The Milwaukee Metropolitan Sewerage District (MMSD) is a special purpose municipal corporation created to provide sewerage treatment services in the Milwaukee metropolitan area. The City is responsible for paying usage charges within its jurisdiction. These amounts, in turn, are billed by the City to its water customers. The City has no equity interest in MMSD. Financial statements for MMSD can be obtained from its administrative office.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

Related Organizations

Milwaukee Area Workforce Investment Board

The Milwaukee Area Workforce Investment Board (MAWIB) was established to provide job training, employment services, and workforce development within Milwaukee County. MAWIB acts as the recipient, dispenser, and administer of funding provided under the Workforce Development Act for Milwaukee County.

The Governor designated the Mayor of the City of Milwaukee as Milwaukee County's chief local elected officer for the Workforce Investment Act of 1998. The directors of the MAWIB are appointed by the Mayor in accordance with the Workforce Investment Act. The City is not legally obligated for any of MAWIB obligations or debt. The City is not entitled to access funds of the Milwaukee Area Workforce Investment Board.

B. Basis of Presentation

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activity of the City, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the City. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) fines, fees, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund.

General Obligation Debt – This fund accounts for the resources accumulated and payments made for principal and interest on the City's outstanding long-term general obligation debt.

Public Debt Amortization – This fund accounts for one-third of all interest on general City investments and interest on Fund investments for the retirement of debt. The Public Debt Amortization Fund is governed by Section 67.101 of the Wisconsin Statutes for the retirement of the public debt. See Note 7 for further discussion.

Capital Projects Fund – The Capital Projects Fund is used to account for the financial resources segregated for the acquisition or construction of major capital expenditures other than those financed by proprietary funds.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

The City reports the following major enterprise funds:

Water Works – All activities necessary to provide water services to residents of the City and outlying areas. Fund activities include administration, billing and collection, operations, maintenance and financing.

Sewer Maintenance – This fund accounts for the maintenance of the City's sewer system. Wisconsin State Statutes Section 66.076, permit municipalities to implement sewer fees to recover the costs of operation, maintenance, repair, and depreciation of sewer collection and transportation facilities. Sewer maintenance costs are recovered through a user fee rather than through the property tax.

Parking – This fund accounts for revenues derived from parking meters, parking permits, rentals and leasing of parking facilities, and other revenues attributable to parking. The revenues are used to defray administrative and operational costs related to parking operations, and to acquire landscape and construct parking lots and structures.

Additionally, the City reports the following fiduciary fund types:

Pension and Other Employee Benefit Trusts – This fund accounts for resources for employee flexible spending plans.

Private Purpose Trust – These funds account for resources legally held in trust for use by various individuals, governmental entities, and nonpublic corporations. All resources of these funds, including any earnings on invested resources, may be used to support each trust's initiatives.

Agency – These funds account for taxes and deposits collected by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

C. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2008 that will be collected in 2009 are recorded as receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, excluding property taxes, to be available if they are collected within 90 days of the end of the current year. Property taxes are considered to be available if they are collected within 60 days of the end of the current year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources, which are susceptible to accrual include property taxes, state shared revenues, grants, contributions, and interest. All other revenue sources including licenses, permits, fines, and forfeits are considered to be measurable and available only when cash is received.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. The City also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments (including restricted cash and investments) purchased with a maturity of three months or less are considered to be cash equivalents. The City manages a cash and investment pool to maximize return on funds while providing liquidity to meet day-to-day obligations. Each fund's equity in the City's investment pool is considered to be a cash equivalent, since the funds can deposit or effectively withdraw cash at anytime without prior notice or penalty. The Housing Authority considers amounts on deposit with fiscal agents to be investments and not cash equivalents due to their restrictive nature.

E. Investments

Investments, primarily consisting of fixed income securities, are reported at fair value based on quoted market prices. Commercial paper, which is short term, defined as having an original maturity of one year or less, and highly liquid is carried at amortized cost. Investment transactions are recorded on the trade date. Under Wisconsin Statutes, one-third of all interest on pooled cash and investments is allocated to the Public Debt Amortization Fund. The remaining two-thirds is credited to the General Fund. Each fund type's portion of pooled cash and investments is included in the cash and cash equivalents line on the Statement of Net Assets/Balance Sheet.

Wisconsin Statutes permit the City to invest funds not immediately needed in any of the following:

- Time deposits maturing within three years in any credit union, bank, savings bank, trust company, or savings and loan association, which are authorized to transact business in the State of Wisconsin.
- Bonds or securities issued or guaranteed by the Federal government.
- Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the State of Wisconsin, as well as bonds issued by a local exposition district, a local professional baseball park district, or the University of Wisconsin Hospitals and Clinics Authority.
- Local Government Investment Pool - Investment Fund of the State of Wisconsin. The Local Government Pooled Investment Fund is an external investment pool administered by the State of Wisconsin. The fair value of the City's investment in the fund is the same as the value of the pooled shares. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of Section 25.50 of the Wisconsin Statutes.
- Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities.
- Any Security that matures or that may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating, which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, Inc., or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
- Securities of open-end management investment companies or investment trusts (mutual funds) if the portfolio is limited to (a) bonds and securities issued by the federal government or a commission, board, or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board, or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds or securities.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

F. Property Taxes

Property taxes are recorded as receivables and deferred revenues in the taxing fund in the year levied because the taxes are restricted to funding the succeeding year's budget appropriations. Property tax payments received prior to year-end are also reflected in the taxing fund. Property taxes are recognized in the appropriate funds as revenues in the succeeding year when they are collected and available to finance City services. If not collected at year-end, the delinquent property taxes are reflected as receivables and deferred revenues. Delinquent property taxes and related interest are recognized as revenues when collected.

The allowance for uncollectible property taxes is based on an analysis of the delinquent property taxes and, in management's judgment, represents an amount adequate to provide for potential uncollectible taxes. The allowance is increased by provisions charged against revenues and is reduced by taxes receivable written off.

The City, through its Special Revenue Fund - Delinquent Tax, issues general obligation short-term promissory notes to finance the purchase of the most recent delinquent taxes from its General Fund. Collections on these delinquencies are used for the associated debt service requirements.

G. Accounts Receivable

Accounts receivables are presented net of allowances. The amount of the General Fund allowance as of December 31, 2008 is \$2,280,000.

H. Unbilled Services

Unbilled water and sewer services at year-end are recognized as revenues and receivables in the accompanying financial statements.

I. Special Assessments

Special assessments consist of capital projects constructed through non-special assessment debt. In governmental fund financial statements, special assessments are recorded as receivables and deferred revenues when the related capital outlays are made and are recorded as revenues when due and payable. In the government-wide financial statements, special assessments are recorded as receivables and capital contribution revenue when the capital outlays are made. All special assessments are due when billed and may be paid on an installment basis with interest. Special assessment receivables that become delinquent are added to the general tax roll. The method of enforcing collections is the same as for general city taxes with like force and effect.

J. Notes and Loan Receivables

The General Fund, the Special Revenue Fund - Community Development Block Grant, and Neighborhood Improvement Development Corporation hold notes and loans receivable from individuals, small businesses, and corporations in the Milwaukee area that are secured by primary or secondary security interests in real estate or other assets. The City periodically analyzes the collectibility of the notes and loans that are not insured and provides allowances as considered necessary. The amount of the allowance in the nonmajor governmental fund is \$9,362,000 as of December 31, 2008.

The City creates tax incremental districts (TID) to issue debt to fund redevelopment projects. Pursuant to a cooperation agreement between the City, the Redevelopment Authority of the City of Milwaukee (Authority), and the Milwaukee Economic Development Corporation (Corporation), the City provides the Authority and the Corporation with the funds necessary to carry out the loan to a private developer to finance the redevelopment projects. Loan repayments to the Authority and the Corporation from the private developer, including interest income as well as other project income, are transferred to the City until the City's loan has been repaid or the TID expires. The City reflects these loans as notes receivable and deferred revenue in governmental fund financial statements based on an amount estimated to be repaid from the Authority and the Corporation.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

K. Inventories

Inventories of materials and supplies are stated at moving average cost, based upon perpetual recordkeeping systems and periodic cycle counts of quantities on hand. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories in governmental funds are reserved for in fund balance, because inventories are not expendable available financial resources.

L. Prepaid Items

Cash payments benefiting future periods have been recorded as prepaid items. They will be reflected as expenditures or expenses when incurred in the subsequent year. Prepaid items in governmental funds are reserved for in fund balance, because prepaids are not expendable available financial resources.

M. Capital Assets

Capital assets, which includes property, plant, and equipment, and infrastructure, are reported at cost or estimated historical cost. Contributed assets are reported at estimated fair value at the time received. General infrastructure assets, such as roads, bridges, curbs, gutters, streets, sidewalks, and drainage and lighting systems, acquired prior to January 1, 2002 are reported at estimated historical cost using deflated replacement cost. Capital assets are depreciated using the straight-line method. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

Major capital outlays for capital assets of business-type activities are included as part of the capitalized value of the assets constructed. Interest expenses incurred during construction were not capitalized as part of the additions to capital assets.

Capitalization thresholds and the estimated useful lives for the City and component units are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Infrastructure	\$ 5,000	5-50 years
Land	5,000	N/A
Land Improvements	5,000	N/A
Site Improvements	5,000	3-50
Buildings	5,000	10-60
Building Improvements	5,000	10-45
Machinery and equipment	5,000	3-25
Works of Art, Historical Treasures	5,000	N/A

N. Pension Contributions

The employer's share of the annual contribution is recorded in the proprietary funds and government-wide financial statements as an expense when the liability is incurred and in the governmental funds as an expenditure when the liability is liquidated with expendable available financial resources.

O. Compensated Absences

The liability for compensated absences reported in the government-wide, proprietary, and fiduciary fund financial statements consists of unpaid, accumulated vacation, and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and include salary related costs (e.g. social security and Medicare tax). A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

City employees accrue sick leave in accordance with labor agreements or Section 350-37 of the Code of Ordinances.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

P. Claims and Judgments

The liability for claims and judgments is reported in the government-wide, proprietary, and fiduciary fund financial statements when they are both probable and estimable. A liability for claims and judgments is reported in governmental funds only if they have matured (i.e. are due). The City accrues environmental remediation obligations when related liabilities are probable and reasonably estimable. These accruals generally are recognized no later than completion of a remedial feasibility study and are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Q. Bond Premiums, Discounts, and Issuance Costs

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The City records bond premiums for governmental fund types in the General Obligation Debt Service Fund.

R. Advance Refundings of Debt

In the government-wide and proprietary fund financial statements, gains and losses from advance refundings of debt resulting in defeasance are deferred and amortized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt using the effective interest method. Bonds payable are reported net of the applicable deferred amount.

S. Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes.

T. Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

U. Interfund Transactions

The City has the following types of interfund transactions:

Loans – amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e. due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds. The noncurrent portions of long-term interfund loans receivable are reported as advances.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

Services provided and used – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursement is reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return, including payments in lieu of taxes, and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

V. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

W. New Accounting Pronouncements

In 2008, the City implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. As a result of implementing this standard, the City recorded a liability for Pollution remediation obligations of \$2,413,000 as of January 1, 2008. This resulted in a reduction of beginning net assets for governmental activities from \$376,168,000 to \$373,755,000.

In June, 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The City will implement this Statement beginning with the year ending December 31, 2010; however, the City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In June, 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The City will implement this Statement beginning with the year ending December 31, 2010; however, the City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In February, 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy primarily based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This Statement provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. This Statement also clarifies the definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type. The City will implement this Statement beginning with the year ending December 31, 2011.

X. Reclassifications

Certain 2007 amounts have been reclassified to conform to the 2008 presentation.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

2. DEPOSITS AND INVESTMENTS

A. Primary Government

The description of the City's deposit and investment policy is discussed in Note 1 D and E.

As of December 31, 2008, the City's deposits and investments are as follows:

	Investment Maturities (in Years)				
	(Thousands of Dollars)				
	Fair Value	Less than 1	1-5	6-10	Credit Rating
Governmental and Business-type activities:					
Investment type					
Pooled Deposits and Investments	\$ 189,731	189,731	-	\$ -	see below
Segregated Deposits and Investments					
Interest Checking	15,878	15,878	-	-	not rated
Wisconsin Local Government					
Investment Pool	81,699	81,699	-	-	not rated
U.S. Treasury strips	5,952	3,232	2,194	526	AAA
Treasuries (Fiscal Agent)	8,732	8,732	-	-	AAA
	<u>\$ 301,992</u>	<u>\$ 299,272</u>	<u>\$ 2,194</u>	<u>\$ 526</u>	
Fiduciary activities:					
Investment type					
Investments in the Pool	\$ 329,896	329,896	\$ -	\$ -	see below
Other Deposits	300	300	-	-	not rated
Segregated Deposits and Investments					
Wisconsin Local Government					
Investment Pool	121	121	-	-	not rated
U.S. Treasury strips	3,140	424	1,617	1,099	AAA
	<u>\$ 333,457</u>	<u>\$ 330,741</u>	<u>\$ 1,617</u>	<u>\$ 1,099</u>	

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

Pooled Deposits and Investments

The City maintains a cash and investment pool (Pool) that is available for use by all the funds, except for Debt Service Funds, Water Works Enterprise Fund, and component entities. Each fund's share of pooled cash and investments is included in the cash and cash equivalents line on the Statement of Net Assets/Balance Sheet.

As of December 31, 2008, the City had the following investments and maturities in the Pool:

	Fair Value	Investment Maturities (in Years) (Thousands of Dollars)			Credit Rating
		Less than 1	1-5	6-10	
Pooled Deposits and Investments					
Bank Demand Deposits	\$ 65,657	\$ 65,657	\$ -	\$ -	not rated
Other Deposits	888	888	-	-	not rated
Deposits and Investments					
Interest Checking	399,867	399,867	-	-	not rated
Wisconsin Local Government					
Investment Pool	42,658	42,658	-	-	not rated
Government Money Market	108	108	-	-	AAA
Certificates of Deposits	17,500	17,500	-	-	not rated
	<u>\$ 526,678</u>	<u>\$ 526,678</u>	<u>\$ -</u>	<u>\$ -</u>	

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City's deposits may not be returned. Per Common Council the City Treasurer shall require collateralization of certificates of time deposit (including interest checking) at financial institutions when the total amount of such certificates of deposit with any institution exceeds the combined insured limit of \$650,000. As of December 31, 2008, the City's bank balances of \$456,000 were subject to custodial credit risk as they were neither insured nor collateralized.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the City's investments will decrease as a result of an increase in interest rates. The City's investment policy does not explicitly limit investment maturities. However, the City manages its exposure to interest risk based on the anticipated cash flow needs of the City and limiting the amount of pooled investments to \$60,000,000 with maturities greater than one year.

Credit risk

Credit risk is the risk that the City will not recover its investments due to the ability of the counterparty to fulfill its obligations. Wisconsin Statutes expressly limit the City to invest in certain allowable investments as listed in Note 1. E. The City's investment policy generally does not further limit its investment choices.

B. Component Units

Deposits and Investments

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts. An additional \$400,000 is covered by the State Deposit Guarantee Fund.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the Component Unit investments are exposed to losses as a result of increases in interest rates.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation.

The component units have the following investments on December 31, 2008:

	Investment Maturities (in Years)					
	(Thousands of Dollars)					
	Fair value	Less than 1	1-2	10-15	15 and greater	Credit Rating
Component Units:						
Local Government Investment Pool	\$ 26,774	\$ 26,774	-	-	-	not rated
U.S. Treasury Money Market Fund	8,966	8,966	-	-	-	Aaa
U.S. Agencies						
Government National Mortgage Association	876	-	-	876	-	Aaa
Certificates of Deposit	300	300	-	-	-	N/A
	<u>\$ 36,916</u>	<u>\$ 36,040</u>	<u>\$ -</u>	<u>\$ 876</u>	<u>\$ -</u>	

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the Component Units deposits may not be returned.

As of December 31, 2008 Component Units bank balances exposed to Custodial Credit Risk are as follows:

	Bank Balance	Uninsured and Uncollateralized
Housing Authority	\$ 10,202,248	\$ 2,363,807
Redevelopment Authority	7,355,849	6,253,091
Milwaukee Economic Development Corporation	3,150,405	1,748,566
Neighborhood Improvement Development Corporation	2,093,365	849,165

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty the component unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2008, the Housing Authority had investments of \$876,000 exposed to custodial credit risk as neither insured nor registered and held by the counterparty. The Redevelopment Authority had \$8,966,000 of investments exposed to custodial credit risk as uninsured and uncollateralized as of December 31, 2008.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008

3. PROPERTY TAXES

The City's property taxes are levied on or before December 31, on the assessed (taxable) value as of the prior January 1, for all general property located in the City. Taxes become a lien against the property upon filing the roll in the Office of the City Clerk. This generally takes place in December. The taxes are due January 31, but may be paid in ten monthly installments without interest from January through October. Foreclosure can be commenced after one year from date of delinquency.

The City purchases property taxes receivable from other taxing authorities at the unpaid amounts to facilitate the collection of the taxes. The purchases are a financing arrangement and are not included in property tax revenues. Also, delinquent water and sewer charges and special assessment receivables are transferred to the General Fund at the unpaid amounts.

At December 31, 2008, delinquent property taxes include delinquent sewer and water charges and special assessments by year levied, tax deeded property, and allowance for uncollectible taxes. These delinquent property taxes are reported as part of taxes receivable in the General Fund and Special Revenue Fund - Delinquent Tax and consist of the following:

	City Levy	Purchased Taxes Receivable	Total
	<i>(Thousands of Dollars)</i>		
2003 and prior	\$ 960	\$ 1,391	\$ 2,351
2004	497	723	1,220
2005	656	984	1,640
2006	2,278	3,516	5,794
2007	<u>9,484</u>	<u>15,187</u>	<u>24,671</u>
 Total delinquent property taxes receivable	 <u>\$ 13,875</u>	 <u>\$ 21,801</u>	 35,676
 Property taxes receivable on foreclosed property			 14,864
 Less: Allowance for uncollectible taxes			 <u>(16,434)</u>
 Net delinquent property taxes receivable, including tax deeded property			 <u>\$ 34,106</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

	Balance 01-01-08	Additions	Deletions	Balance 12-31-08
		<i>(Thousands of Dollars)</i>		
Governmental activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 163,769	\$ 408	\$ 380	\$ 163,797
Construction in progress	<u>106,357</u>	<u>29,592</u>	<u>12,181</u>	<u>123,768</u>
Total capital assets not being depreciated	<u>270,126</u>	<u>30,000</u>	<u>12,561</u>	<u>287,565</u>
<i>Capital assets being depreciated:</i>				
Buildings	194,137	1,730	1,085	194,782
Infrastructure.....	1,337,345	19,852	1,548	1,355,649
Improvements other than buildings	11,198	664	289	11,573
Machinery and equipment	<u>145,659</u>	<u>20,496</u>	<u>3,582</u>	<u>162,573</u>
Total capital assets being depreciated	<u>1,688,339</u>	<u>42,742</u>	<u>6,504</u>	<u>1,724,577</u>
Less accumulated depreciation for:				
Buildings	71,381	4,487	1,084	74,784
Infrastructure	855,033	30,394	1,549	883,878
Improvements other than buildings	7,427	323	281	7,469
Machinery and equipment	<u>82,681</u>	<u>11,352</u>	<u>3,497</u>	<u>90,536</u>
Total accumulated depreciation	<u>1,016,522</u>	<u>46,556</u>	<u>6,411</u>	<u>1,056,667</u>
Total capital assets being depreciated, net	<u>671,817</u>	<u>(3,814)</u>	<u>93</u>	<u>667,910</u>
Government activity capital assets, net	<u>\$ 941,943</u>	<u>\$ 26,186</u>	<u>\$ 12,654</u>	<u>\$ 955,475</u>
Depreciation expense for governmental activities was charged to functions as follows:				
General government				\$ 344
Public safety				7,125
Public works				38,377
Health				172
Culture and recreation				<u>538</u>
Total				<u>\$ 46,556</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Balance 01-01-08	Additions	Deletions	Balance 12-31-08
Business-type activities		<i>(Thousands of Dollars)</i>		
Water Works				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,568	\$ 368	\$ -	\$ 1,936
Construction in progress	12,249	17,122	18,396	10,975
Total capital assets not being depreciated	13,817	17,490	18,396	12,911
<i>Capital assets being depreciated:</i>				
Buildings	21,292			21,292
Infrastructure	318,139	14,261	1,258	331,142
Machinery and equipment	201,182	4,135	3,735	201,582
Nonutility property	5,317	2,524	2,332	5,509
Total capital assets being depreciated	545,930	20,920	7,325	559,525
Less accumulated depreciation for:				
Buildings	13,988	675		14,663
Infrastructure	75,947	3,644	1,267	78,324
Machinery and equipment	89,788	8,798	3,680	94,906
Nonutility property	2,926	193	2,336	783
Total accumulated depreciation	182,649	13,310	7,283	188,676
Total capital assets being depreciated, net	363,281	7,610	42	370,849
Water Works capital assets, net	377,098	25,100	18,438	383,760
Sewer Maintenance				
<i>Capital assets not being depreciated:</i>				
Construction in progress	36,800	23,292	13,788	46,304
Total capital assets not being depreciated	36,800	23,292	13,788	46,304
<i>Capital assets being depreciated:</i>				
Infrastructure	346,382	20,363	110	366,635
Machinery and equipment	4,282	38	-	4,320
Total capital assets being depreciated	350,664	20,401	110	370,955
Less accumulated depreciation for:				
Infrastructure	100,802	4,073	110	104,765
Machinery and equipment	1,619	336	-	1,955
Total accumulated depreciation	102,421	4,409	110	106,720
Total capital assets being depreciated, net	248,243	15,992	-	264,235
Sewer Maintenance capital assets, net	285,043	39,284	13,788	310,539

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Balance 01-01-08	Additions	Deletions	Balance 12-31-08
		<i>(Thousands of Dollars)</i>		
Parking				
<i>Capital assets not being depreciated:</i>				
Land	\$ 8,440	\$ -	\$ -	\$ 8,440
Construction in progress	3,650	1,037	-	4,687
Total capital assets not being depreciated	12,090	1,037	-	13,127
<i>Capital assets being depreciated:</i>				
Buildings	50,645	-	-	50,645
Improvements other than buildings	5,429	-	-	5,429
Machinery and equipment	1,496	182	33	1,645
Total capital assets being depreciated	57,570	182	33	57,719
Less accumulated depreciation for:				
Buildings	26,234	1,769	-	28,003
Improvements other than buildings	3,252	142	-	3,394
Machinery and equipment	731	149	17	863
Total accumulated depreciation	30,217	2,060	17	32,260
Total capital assets being depreciated, net	27,353	(1,878)	16	25,459
Parking capital assets, net	39,443	(841)	16	38,586
Other business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	4,853	2,938	-	7,791
Construction in progress	-	-	-	-
Total capital assets not being depreciated	4,853	2,938	-	7,791
<i>Capital assets being depreciated:</i>				
Buildings	13,063	421	-	13,484
Infrastructure—port.....	19,609	1,603	5,656	15,556
Improvements other than buildings	3,516	142	1,370	2,288
Machinery and equipment	4,831	30	142	4,719
Total capital assets being depreciated	41,019	2,196	7,168	36,047
Less accumulated depreciation for:				
Buildings	6,385	411	-	6,796
Infrastructure—port.....	14,281	500	6,045	8,736
Improvements other than buildings	1,509	133	26	1,616
Machinery and equipment	3,941	175	139	3,977
Total accumulated depreciation	26,116	1,219	6,210	21,125
Total capital assets being depreciated, net	14,903	977	958	14,922
Other business-type activities, net	19,756	3,915	958	22,713
Business-type activity capital assets, net	\$ 721,340	\$ 67,458	\$ 33,200	\$ 755,598

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Balance 01-01-08	Additions (Thousands of Dollars)	Deletions	Balance 12-31-08
Component Units				
<i>Capital assets not being depreciated:</i>				
Land	\$ 57,966	\$ 5,486	\$ 9,265	\$ 54,187
Construction in Progress	49,206	5,561	52,466	2,301
Total capital assets not being depreciated	<u>107,172</u>	<u>11,047</u>	<u>61,731</u>	<u>56,488</u>
<i>Capital assets being depreciated:</i>				
Buildings	425,639	55,366	481	480,524
Infrastructure	-	789	-	789
Improvements other than buildings	599	932	-	1,531
Machinery and equipment	<u>4,241</u>	<u>390</u>	<u>1,354</u>	<u>3,277</u>
Total capital assets being depreciated	<u>430,479</u>	<u>57,477</u>	<u>1,835</u>	<u>486,121</u>
Less accumulated depreciation for:				
Buildings	217,666	12,908	1,000	229,574
Infrastructure	-	13	-	13
Improvements other than buildings	128	79	-	207
Machinery and equipment	<u>3,728</u>	<u>276</u>	<u>1,300</u>	<u>2,704</u>
Total accumulated depreciation	<u>221,522</u>	<u>13,276</u>	<u>2,300</u>	<u>232,498</u>
Total capital assets being depreciated, net	<u>208,957</u>	<u>44,201</u>	<u>(465)</u>	<u>253,623</u>
Component units capital assets, net	<u>\$ 316,129</u>	<u>\$ 55,248</u>	<u>\$ 61,266</u>	<u>\$ 310,111</u>

5. DEFERRED REVENUE

Deferred revenue is recorded in the governmental funds for amounts not yet available and for resources received prior to being earned by the City. Related revenue is recognized when these amounts become available or when earned. The composition of the deferred revenue balances in the governmental funds as of December 31, 2008 is as follows:

	General	General Obligation Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
					(Thousands of Dollars)
Current property taxes	\$ 164,784	\$ 94,485	\$ 6,506	\$ -	\$ 265,775
Delinquent property taxes	7,469	-	-	2,002	9,471
Unearned revenue	1,850	-	3,744	7,509	13,103
Long-term receivables	-	30,744	-	3	30,747
Unbilled special assessments	<u>-</u>	<u>-</u>	<u>12,922</u>	<u>-</u>	<u>12,922</u>
Total	<u>\$ 174,103</u>	<u>\$ 125,229</u>	<u>\$ 23,172</u>	<u>\$ 9,514</u>	<u>\$ 332,018</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

6. SHORT-TERM DEBT

During 2008, the City issued and repaid \$90,000,000 of General Obligation Cash Flow Promissory Notes, Series 2008 R5 (G.O. CFNs). The G.O. CFNs were issued for the purpose of financing the City's operating budget on an interim basis pending receipt of State of Wisconsin shared revenue payments due in November, 2008.

As of December 31, 2007, the City had outstanding \$188,000,000 of short-term Revenue Anticipation Notes (RANs) on behalf of Milwaukee Public Schools. In 2008, the City repaid the outstanding balance and issued \$210,000,000 short-term RANs for the same purpose. The new notes bear interest at the rate of 3% and will mature on September 3, 2009. The liability and related receivable to repay the revenue anticipation notes are recorded in the Debt Service Fund.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

7. LONG-TERM OBLIGATIONS

A. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2008 were as follows:

	Balance 01-01-08	Additions	Deductions	Balance 12-31-08	Amounts Due within One Year
	<i>(Thousands of Dollars)</i>				
Governmental activities:					
General obligation bonds and notes					
City	\$ 575,900	\$ 231,968	\$ 169,971	\$ 637,897	\$ 75,852
Milwaukee Public Schools	93,504	5,400	11,131	87,773	10,376
Deferred amount on refundings	(6,453)	-	(1,256)	(5,197)	-
Unamortized premiums	25,775	3,694	6,587	22,882	-
Compensated absences	30,784	424	-	31,208	2,434
Net other postemployment benefits obligation	36,877	69,801	30,973	75,705	-
Claims and judgments	25,021	11,245	7,800	28,466	5,755
Total governmental activities	<u>\$ 781,408</u>	<u>\$ 322,532</u>	<u>\$ 225,206</u>	<u>\$ 878,734</u>	<u>\$ 94,417</u>
Business-type activities					
Water Works					
General obligation bonds and notes	\$ 19,896	\$ -	\$ 2,846	\$ 17,050	\$ 1,989
Deferred amount on refundings	(519)	-	(162)	(357)	-
Unamortized premiums	942	-	191	751	-
Revenue bonds	11,206	-	891	10,315	915
Compensated absences	1,025	83	-	1,108	1,108
Net other postemployment benefits obligation	790	1,903	1,112	1,581	-
Total Water Works	<u>33,340</u>	<u>1,986</u>	<u>4,878</u>	<u>30,448</u>	<u>4,012</u>
Sewer Maintenance					
General obligation bonds and notes	23,635	369	20,070	3,934	268
State Loans	14,369	35,848	564	49,653	2,000
Revenue bonds	53,505	-	2,650	50,855	2,740
Unamortized premiums	1,987	-	232	1,755	-
Net other postemployment benefits obligation	274	735	429	580	-
Total Sewer Maintenance	<u>93,770</u>	<u>36,952</u>	<u>23,945</u>	<u>106,777</u>	<u>5,008</u>
Parking					
General obligation bonds and notes	11,733	1,228	2,218	10,743	1,722
Deferred amount on refundings	(193)	-	(40)	(153)	-
Unamortized premiums	257	-	54	203	-
Net other postemployment benefits obligation	214	536	313	437	-
Total Parking	<u>12,011</u>	<u>1,764</u>	<u>2,545</u>	<u>11,230</u>	<u>1,722</u>
Other Enterprise Funds					
General obligation bonds and notes	3,672	54	483	3,243	508
Deferred amount on refundings	(45)	-	(9)	(36)	-
Unamortized premiums	63	-	12	51	-
Net other postemployment benefits obligation	45	125	73	97	-
Total Other Enterprise	<u>3,735</u>	<u>179</u>	<u>559</u>	<u>3,355</u>	<u>508</u>
Total business-type activities	<u>\$ 142,856</u>	<u>\$ 40,881</u>	<u>\$ 31,927</u>	<u>\$ 151,810</u>	<u>\$ 11,250</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Balance 01-01-08	New Issues	Repayments	Balance 12-31-08	Amounts Due within One Year
<i>(Thousands of Dollars)</i>					
Component Units					
Revenue bonds	\$ 111,137	\$ -	\$ 13,938	\$ 97,199	\$ 495
Unamortized discounts	(110)	-	(6)	(104)	-
Notes payable	25,742	15,077	100	40,719	4,527
Advance from other organizations	-	-	-	-	-
Compensated Absences.....	765	89	-	854	256
Net other postemployment benefits.....	500	491	-	991	-
Total component units	<u>\$ 138,034</u>	<u>\$ 15,657</u>	<u>\$ 14,032</u>	<u>\$ 139,659</u>	<u>\$ 5,278</u>

B. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the City and for Milwaukee Public Schools. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are secured by the full faith and unlimited taxing power of the City. The debt for governmental activities will be retired by future property tax levies and other resources accumulated in the Debt Service Funds. The debt for business-type activities (i.e. Water Works, Sewer Maintenance, Parking, and Port of Milwaukee Enterprise Funds) will be retired by revenues from those operations or, if the revenues are not sufficient, by future tax levies. During the year ended December 31, 2008, general obligation bonds totaling \$6,497,505 were issued to finance capital improvements.

Use of Public Debt Amortization Fund for retirement of the public debt is governed by the Wisconsin Statutes. The Statutes provide that when total principal and accrued interest in the Public Debt Amortization Fund is substantially equal to the outstanding general obligation bonds and notes, the resources in the fund shall be applied to make annual interest and principal payments on that debt to maturity. The Statutes provide, in part, that "The Public Debt Commission may, however, at any time, apply the fund, not to exceed in any one year 40% of the balance in said fund on the preceding December 31, to acquire for cancellation general obligation bonds or notes prior to their maturity dates at prices not to exceed principal plus accrued interest to date of maturity, but the fund shall not be decreased below \$2,000,000 as a result of such purchases and cancellations." Principal sources of revenue are one-third of all interest on general City investments and interest on Fund investments. As authorized by the Statutes, the Public Debt Amortization Fund may purchase for investment or for cancellation, notes issued by the General Fund to fund operations.

Through 2008, \$153,109,402 has been borrowed and outstanding for forty-seven tax incremental districts (TID). Total debt service requirements associated with these debt issues amounts to \$198,299,783. Tax increments received through 2008 total \$197,725,798. In any year in which TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the property tax levy.

Under the Wisconsin Statutes, the City is required, if requested by the Board of Milwaukee Public Schools, and if approved by referendum, to issue general obligation bonds to finance purchases of school sites and to construct or remodel school buildings. No such bonds are currently outstanding. The \$87,773,000 of Milwaukee Public School long-term debt outstanding at December 31, 2008 consists of a portion of the City's general obligation bonds and notes that has been designated for school purposes. Under the Wisconsin Statutes, the City has title to the land and buildings of the Milwaukee Public Schools. However, the City does not control the use of the assets or receive the proceeds upon disposition of the assets. At June 30, 2008, the historical costs of the land and buildings as reported by Milwaukee Public Schools was approximately \$975,825,000. These assets are excluded from the financial statements of the City.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008

C. Revenue Bonds

The City issues revenue bonds to provide funds for water and sewer improvements. As such, they are not backed by the general credit or taxing powers of the City. During 2008, the City received loans from the State for the Clean Water Fund Program permitted under State Statutes to provide financial assistance for specific Sewer Maintenance Enterprise Fund projects for a total of \$35,848,000. The loans will be repaid from revenues of the Sewer Maintenance Enterprise Fund.

D. Notes Payable

The City issues installment notes to provide funds for various public improvement projects, cash flow for the school district, and purchases of delinquent taxes. During the year ended December 31, 2008, installment loans totaling \$37,125,000 were issued to provide the school district cash flow, finance building projects, and purchase 2007's delinquent taxes.

During 2008, the City issued General Obligation Commercial Paper Promissory Notes 2008 Program Series C2. Notes were issued to finance various public improvements projects and fiscal requirements of the City. The notes are a direct general obligation of the City payable from taxes levied without limitation as to rate or amount. Following is a summary of the General Obligation Commercial Paper Promissory Notes issued (in thousands), which is included in the totals for the general obligation bonds and note in the long-term obligation table in footnote 7(a) above:

Balance 01-01-08	Additions	Deletions	Balance 12-31-08
-	124,600	20,000	104,600

In order to provide a source for payment of the principal and interest on the General Obligation Commercial Paper Promissory Notes, on January 1, 2008, the City entered into an irrevocable letter of credit and reimbursement agreement with a bank. The letter of credit and reimbursement agreement has an authorized maximum draw of \$125 million, and expires on December 1, 2012. Each advance on the letter of credit is due and payable on the 60th day following the date of the draw; however, the agreement allows the bank to make a three-year term loan available upon each advance not repaid within 60 days, for which payments will begin one year after the date the term loan began. Principal payments on the term loan shall be made quarterly. Interest is required to be paid monthly, and the rate varies based on the period the advance is outstanding, as follows:

<u>Period Outstanding</u>	<u>Interest Rate</u>
30 days or less	Prime rate
31 days to 60 days	Prime rate plus 1%
Greater than 60 days (term loan)	Prime rate plus 2%

Further, under the terms of the letter of credit agreement, the City has agreed to meet various covenants, which includes maintaining an above investment grade rating on its outstanding indebtedness. As of December 31, 2008, the City had no outstanding draws on the letter of credit.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

E. Debt Service Requirements

The maturities of the outstanding principal and related interest requirements are as follows:

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
(Thousands of Dollars)					
Governmental activities					
2009	\$ 86,228	\$ 30,702	\$ -	\$ -	\$ 116,930
2010	72,131	26,070	-	-	98,201
2011	61,112	22,761	-	-	83,873
2012	56,973	19,843	-	-	76,816
2013	53,598	17,079	-	-	70,677
2014-2018	300,701	50,357	-	-	351,058
2019-2023	85,192	9,638	-	-	94,830
2024-2028	9,735	229	-	-	9,964
Total	<u>\$ 725,670</u>	<u>\$ 176,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 902,349</u>
Business-type activities					
Water Works					
2009	\$ 1,989	\$ 850	\$ 915	\$ 260	\$ 4,014
2010	2,492	753	939	236	4,420
2011	2,966	634	964	211	4,775
2012	2,492	494	989	185	4,160
2013	2,101	359	1,015	158	3,633
2014-2018	4,988	450	5,493	370	11,301
2019-2020	22	1	-	-	23
Total	<u>\$ 17,050</u>	<u>\$ 3,541</u>	<u>\$ 10,315</u>	<u>\$ 1,420</u>	<u>\$ 32,326</u>
Sewer Maintenance					
2009	\$ 268	\$ 176	\$ 4,740	\$ 3,552	\$ 8,736
2010	269	164	4,888	3,391	8,712
2011	272	153	5,038	3,218	8,681
2012	273	141	5,198	3,031	8,643
2013	293	129	5,374	2,829	8,625
2014-2018	1,451	447	29,987	10,744	42,629
2019-2023	1,108	111	31,233	4,396	36,848
2024-2028	-	-	14,050	811	14,861
Total	<u>\$ 3,934</u>	<u>\$ 1,321</u>	<u>\$ 100,508</u>	<u>\$ 31,972</u>	<u>\$ 137,735</u>
Parking					
2009	\$ 1,722	\$ 519	\$ -	\$ -	\$ 2,241
2010	1,319	422	-	-	1,741
2011	1,251	360	-	-	1,611
2012	1,094	300	-	-	1,394
2013	973	248	-	-	1,221
2014-2018	3,313	611	-	-	3,924
2019-2023	1,071	100	-	-	1,171
Total	<u>\$ 10,743</u>	<u>\$ 2,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,303</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
(Thousands of Dollars)					
Other Enterprise					
2009	\$ 508	\$ 158	\$ -	\$ -	\$ 666
2010	429	133	-	-	562
2011	429	111	-	-	540
2012	388	89	-	-	477
2013	350	70	-	-	420
2014-2018	967	133	-	-	1,100
2019-2023	172	12	-	-	184
Total	<u>\$ 3,243</u>	<u>\$ 706</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,949</u>
Total Component Units					
2009	\$ 4,527	\$ 1,239	\$ 495	\$ 3,355	\$ 9,616
2010	131	1,180	515	3,330	5,156
2011	142	1,172	535	3,305	5,154
2012	149	1,162	570	3,277	5,158
2013	162	1,152	600	3,247	5,161
2014-2018	6,223	5,505	1,300	15,735	28,763
2019-2023	2,512	4,845	6,784	14,751	28,892
2024-2028	246	4,535	19,005	13,515	37,301
2029-2033	340	4,335	-	13,176	17,851
2034-2038	2,361	3,752	-	13,176	19,289
2039-2043	4,898	3,100	67,395	4,389	79,782
2044-2048	16,547	1,599	-	-	18,146
2049-2053	36	378	-	-	414
2054-2058	2,445	220	-	-	2,665
Total	<u>\$ 40,719</u>	<u>\$ 34,174</u>	<u>\$ 97,199</u>	<u>\$ 91,256</u>	<u>\$ 263,348</u>

F. Debt Limit

Wisconsin Statutes limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. The Statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. At December 31, 2008, the City's legal debt margin was \$1,542,702,000. Of this amount, \$637,744,000 was for school purposes and \$904,958,000 was for City purposes.

G. Refundings

In prior years, the City defeased certain general obligation bonds by placing the proceeds from new general obligation bonds in an irrevocable trust to provide all future debt service payments on the bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. At December 31, 2008, \$144,000,000 of bonds outstanding are considered defeased, which includes debt defeased during the current year.

H. Conduit Debt

From time to time, the City has issued revenue bonds in order to provide financing to private sector entities for the purpose of acquiring, constructing, or rehabilitating housing units and for retiring the existing debt associated with housing units. These obligations are primarily secured by mortgage or revenue agreements on the associated projects and, together with the interest obligation, are payable solely by the developers from leased rentals and other funds or revenues. In addition, these obligations do not constitute indebtedness of the City, as the City has no responsibility for the debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of all revenue bonds outstanding at December 31, 2008 is approximately \$48,900,441 for the City and \$560,000,000 for RACM.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

8. RETIREMENT PLANS

Pension Benefits

Plan Description – The City makes contributions to the Employees' Retirement System of the City of Milwaukee (the "System"), a cost-sharing multiple-employer defined benefit pension plan, on behalf of all eligible City employees. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The City Charter assigns the authority to establish and amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Employees' Retirement System of the City of Milwaukee, 200 East Wells Street, Room 610, Milwaukee, WI 53202.

Funding Policy – Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5%, 7%, 7%, and 7% for general City employees, police officers, firefighters, and elected officials, respectively. New hires who are not sworn police/fire must pay 1.6% of pensionable earnings for 8 years to fund the cost of benefit escalators due to the Global Pension Settlement. The City is required to contribute the actuarially determined amount. The City Charter assigns the authority to establish and amend contribution requirements. The City's contributions to the System for the years ending December 31, 2008, 2007, and 2006, were \$23,532,000, \$23,330,000, and \$22,751,000, respectively, equal to the required contributions on behalf of the plan members for each year.

Other Postemployment Benefits

The City provides other postemployment benefits (OPEB) to its retirees for health and life insurance.

Plan Description. The City provides a single-employer defined benefit healthcare plan and life insurance administered by both the City and Milwaukee's Employee Retirement System (MERS). The City provides medical insurance benefits for substantially all retirees in accordance with terms set forth in labor contracts or by Common Council resolution. Retirees are eligible to enroll in any of the group plans offered by the City. Aside from the Basic Plan, this includes a Health Maintenance Organization (HMO) plan currently offered to active employees. The City provides full health insurance coverage to general City employees who retire at age 55, but less than age 65, with 30 years of creditable service or at age 60, but less than age 65, with 15 years of creditable service until the age of 65. Management employees retiring beginning in 2004 at age 55, but less than 65, pay a portion of health insurance the same as active management employees. In accordance with a "percentage formula" as provided in labor agreements, the City provides between 65% and 100% of the cost of the Basic Plan coverage for firefighters and police officers who retire with 25 years of creditable service and having attained at least the age of 52 but less than 60. Upon reaching the age of 60 but prior to the age of 65, the City provides full health insurance coverage for firefighters and police officers with single enrollment status. The City contribution for firefighters and police officers between the ages of 60 and 65 with family enrollment status is the greater of 100% of the cost of single enrollment in the Basic Plan or an amount determined using the "percentage formula." The "percentage formula" used to determine the City contribution in the labor agreements is based on the amount of unused sick leave at retirement.

After attaining the age of 65 and having completed a minimum of 15 years of creditable service, all retirees are eligible to enroll in a "subsidized plan" for medical insurance. Under this plan, the City contributes 25% of the base rate toward retirees enrolled in the Basic Plan, while the retiree pays 75% of the base rate and 100% of the major medical rate. For those retirees enrolled in an HMO, the City contributes a 25% subsidy of the applicable HMO premium.

In addition to medical insurance, the City allows its employees to continue life insurance coverage under the Group Life Insurance Plan offered to active employees in accordance with Section 350-25 of the Code of Ordinances. The base amount of coverage for general City employees is equal to the employee's annual basic salary to the next higher thousand dollars. The base amount of coverage for firefighters and police officers is equal to one and one-half the employee's annual basic salary to the next higher thousand dollars.

General City employees retiring at age 55 or older with 20 years of service or at age 60 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage at the level on the date prior to their date of retirement. Firefighters and police officers retiring at age 52 or older with 20 years of service or at age 57 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage up to their base amount of coverage on the date prior to their date of retirement. Prior to age 65, all retirees are required to pay the full premium rates as established by the insurance carrier, less an adjustment for estimated dividends. The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching the age of 65, those retirees still part of the group life plan have their coverage reduced in accordance with the reduction schedule in effect on their last day physically at work, with the City assuming all future premiums.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008

Funding Policy. The contribution of plan members and the City are established and may be amended by the City. The required contribution for medical, and life insurance for retirees is based on a pay-as-you-go financing. Medical benefits provided through the basic health care plan are self-insured. For 2008, the City and plan members receiving benefits paid approximately \$31,820,000 and \$1,080,000, respectively, toward medical and life insurance for retirees.

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45 *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan (pay-as-you basis), and the changes in the City's net OPEB obligation:

ARC	\$ 72,900,000
Interest on Net OPEB Obligation	1,700,000
Adjustment to ARC	<u>(1,500,000)</u>
Annual OPEB Cost	73,100,000
Contribution made	<u>32,900,000</u>
Increase in net OPEB Obligation	40,200,000
Net OPEB obligation - beginning of year	<u>38,200,000</u>
Net OPEB obligation - end of year	<u>\$ 78,400,000</u>

The City annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Annual Cost and Net OPEB Liability

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2007	\$ 67,600,000	43.5%	\$ 38,200,000
12/31/2008	73,100,000	45.0%	78,400,000

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$880,700,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$880,700,000. The covered payroll (annual payroll of active employees covered by the plan) was \$425,400,000 and the ratio of the UAAL to the covered payroll was 207 percent.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. The retiree healthcare valuation was based on the projected unit credit (PUC) cost method. The PUC method produces an explicit normal cost and actuarial accrued liability. The normal cost and actuarial accrued liability are directly proportional to the employee's service. That is, the normal cost equals the present value of future benefits divided by projected service at retirement, and the actuarial accrued liability equals the present value of benefits multiplied by the ratio of service at valuation date to projected service at retirement. Depending on the demographic characteristics of the current group and new entrants in the future, this method could produce stable annual costs, in the aggregate, when expressed as a percentage of pay.

The OPEB valuation uses a discount rate assumption of 4.5% based on the City's projected short-term investment rate of return. The healthcare cost trends rate is 10% initially, and reduced by decrements to the ultimate rate of 4.5% after 10 years. The actuarial assumption for inflation is 3% and wage inflation is 3.5%. The amortization of the unfunded actuarial accrued liability is based on a level percentage of pay over a 30-year open amortization period.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

Terminal Leave Payments

Upon retirement, employees receive a portion of their unused sick leave as terminal leave, in accordance with labor contracts and Section 350-38 of the Code of Ordinances. Firefighters whose normal hours of work exceed 40 hours per week receive between \$45 and \$65 for each work shift equivalent of unused sick leave. Firefighters whose normal hours of work average 40 hours per week receive between \$21 and \$30 for each work shift equivalent of unused sick leave. Police officers receive payment for up to 55 days of unused sick leave at base pay. Management pay plan employees are entitled to payment of 30% of unused sick leave (maximum 960 hours) plus one-half of the sick leave days accumulated during the last twelve months of service for up to six additional days for a total maximum of 42 days at the rate of pay at retirement. Substantially all remaining City employees receive up to 30 days for unused sick leave as terminal leave, although some bargaining units receive slightly different benefits in accordance with related labor agreements. In 2008, approximately \$9,564,000 was paid for sick leave from all funds. At December 31, 2008, accumulated sick leave earned but not taken totaled approximately \$167,133,000 determined on the basis of current salary rates.

Terminal leave pay is funded on a pay-as-you-go basis and provided for in the salary budgets of the respective departments annually. In 2008, terminal leave payments totaled \$1,715,000 to employees retiring during the year. As of December 31, 2008, the City has accrued approximately \$15,112,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of \$31,208,000 with the remainder accrued vacation leave of \$16,096,000.

9. FUND EQUITY

Reserved for Tax Stabilization and Advances to Other Funds

The Reserved for Tax Stabilization, \$42,418,000 at December 31, 2008, is governed by the City's Code of Ordinances. This reserve includes an amount for advances of \$13,367,000 from the general fund to the capital projects fund. The general fund has advanced this amount to fund special assessment projects. The availability of the \$13,367,000 for Tax Stabilization is contingent upon future collection of the special assessments receivable. All General Fund appropriation balances not encumbered or carried over are reserved for tax stabilization in subsequent years. The total amount that can be withdrawn from the Reserved for Tax Stabilization in any one year is an amount that prevents an increase of more than 3% in the City's property tax rate, as defined, and is anticipated to be available as of April 15 of the year covered by the budget. Such amount must be included in the adopted budget, which requires a majority affirmative vote of the Common Council. Fund withdrawals not needed to stabilize the tax rate can be made for up to 50% of the available balance, but require a three-fourths affirmative vote of the Common Council.

Fund deficit

The Capital Projects Fund had a deficit fund balance of \$37,351,000 as of December 31, 2008, which is the result of expending funds for construction in advance of issuing general obligation bonds. The City plans to eliminate the fund deficit through the issuance of general obligation bonds in 2009.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008

10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

The individual interfund receivable and payable balances at December 31, 2008:

		Due From			
		General Fund	Water Works	Sewer Maintenance Fund	Nonmajor Enterprise Funds
			(Thousands of Dollars)		
Due To	General Fund	\$ -	\$ 1,438	\$ -	\$ -
	General Obligation Debt	-	2,840	-	-
	Capital Projects	18,987	-	-	-
	Nonmajor Governmental Funds	7,516	-	-	-
	Water Works	6,883	-	537	534
	Sewer Maintenance	12,880	-	-	-
	Nonmajor Enterprise Funds ...	12,310	-	-	-
	Totals	\$ 58,576	\$ 4,278	\$ 537	\$ 534
					\$ 63,925

Balances resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made, and (4) funds overdraw their share of pooled cash or when there are transactions between funds where one fund does not participate in the City's pooled cash.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

Interfund transfers for the year ended December 31, 2008 were as follows:

Funds Transferred To	Fund Transferred From	Amount	Purpose
General Fund	General Obligation Debt	\$ 10,421	Funding for debt payments
	Nonmajor Governmental Funds	7,725	Subsidize uncollected property taxes
	Water Works	8,696	Payment in Lieu of taxes
	Parking	1,159	Payment in Lieu of taxes
	Parking	17,000	Subsidy for operations
	Nonmajor Enterprise Funds	2,018	Excess earnings of Port
	Subtotal General Fund	<u>47,019</u>	
Debt Service	General	90,000	Funding for cash flow debt
	General	2,076	Funding for debt payments
	Public Debt Amortization	23,890	Funding for debt payments
	Capital Projects	686	Tax Incremental District closeouts
	Nonmajor Governmental Funds	15,505	Funding for debt payments
	Sewer Maintenance	9,310	Subsidy for operations
	Parking	536	Subsidy for operations
	Subtotal Debt Service	<u>142,003</u>	
Public Debt Amortization	Debt Service	<u>11,192</u>	Funding for debt payments
	Subtotal Public Debt Amortization	<u>11,192</u>	
Capital Projects	Public Debt Amortization	<u>859</u>	Subsidy for operations
	Subtotal Capital Projects	<u>859</u>	
Nonmajor Enterprise	General Fund	4	Subsidy for operations
	General Obligation Debt	<u>663</u>	Funding for debt payments
	Subtotal Nonmajor Proprietary	<u>667</u>	
	Total Interfund Transfers	<u>\$ 201,740</u>	

Transfers are used to (1) move revenues from the fund that statute or budget requires collection from to the fund that statute or budget required to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008

11. BALANCES BETWEEN THE CITY AND COMPONENT UNITS

Balances due to and due from component units as of December 31, 2008:

Component Unit Payable	Primary Government's Receivable <i>(Thousands of Dollars)</i>
Due from HACM for reimbursable expenditures	\$ 706
Due from HACM for payment in lieu of taxes	
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate	15,486
Due from RACM for reimbursable expenditures	771
Due from RACM for	
Due from MEDC for tax incremental district loans	1,412
Due from NIDC for home and Community Development Block grants	59
Due from NIDC for reimbursements for expenditures	<u>-</u>
Total	<u>\$ 18,434</u>

Component Unit Receivable	Primary Government's Payable <i>(Thousands of Dollars)</i>
Due to RACM Community Development Block grants and Home grants.....	<u>\$ 118</u>
Total	<u>\$ 118</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

12. OPERATING LEASES

The City is the lessor for various properties under operating lease agreements expiring at various dates through 2008 and beyond. Certain leases contain provisions for possible renewal at term of the lease.

Scheduled minimum lease payments for years ending December 31 are as follows:

Year	Amount
<i>(Thousands of Dollars)</i>	
2009	\$ 3,934
2010	4,100
2011	3,792
2012	3,744
2013	3,779
2014-2018	13,904
2019-2023	7,642
2024-2028	2,709
2029 and beyond	<u>7,606</u>
Total	<u>\$ 51,210</u>

13. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2008, expenditures exceeded appropriations for services and salaries in the operations division of the Department of Public Works within the General Fund by \$2,645,000. The Council has approved the issuance of general obligation debt to provide funding for these over-expenditures.

14. COMMITMENTS AND CONTINGENCIES

Claims and Other Legal Proceedings

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employee or natural disaster. With certain exceptions, it is not the policy of the City to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for reasonably estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations. Current settlements are paid from the General Fund and recorded as expenditures when paid in the fund based statements. The liabilities are recorded in the government-wide financial statements.

Under Wisconsin Statutes, the amount recoverable by any person for any damages, injuries, or death in any action founded on fact against the City, agencies, officials, officers, or employees cannot exceed \$50,000, with certain exceptions.

The City is self-insured for workers' compensation, health insurance (basic plan), uninsured motorist motor vehicle coverage for City employees, and general liability. Liabilities are reported when it is probable that a loss can be reasonable estimated. These losses include an estimate of claims that have been incurred but not reported. Liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other economic and social factors. Claims are paid from the General Fund and recorded as expenditures when paid in the fund based financial statements. The liabilities are recorded in the government-wide financial statements.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008

The liabilities recorded as long-term debt in the government-wide financial statements at December 31, 2008 are as follows:

General liability claims	\$ 8,888,000
Workers' compensation claims	14,705,000
Unemployment claims	1,080,000
Health insurance claims	1,291,000
Pollution remediation obligation.....	2,502,000

Changes in the balances of claim liabilities during the past two years are as follows:

	2007	2008
Beginning of year liability	\$ 24,991,000	\$ 25,021,000
Current year claims and changes in estimates	10,740,000	11,245,000
Claim payments	<u>(10,710,000)</u>	<u>(7,800,000)</u>
End of year liability	<u>\$ 25,021,000</u>	<u>\$ 28,466,000</u>

The Milwaukee Police Association (MPA) alleged that The Milwaukee Employees' Retirement System (ERS) was prohibited by City ordinance from spending more than \$3 million to purchase and install a computer information system. It is estimated that the total cost of ERS information system is approximately \$25 million. The MPA suit was subsequently voluntarily dismissed in 2005 and a clone case was brought by the Milwaukee Police Supervisors Organization (MPSO). Another union, the Association of Law Enforcement Allied Services Personnel (ALEASP), has joined the lawsuit as a plaintiff. The dispute in the case is over the interpretation of the section of the City ordinance that transferred all administrative, operational, and investment expenses for the City to ERS. The City is preparing a summary judgment to motion to dismiss the case.

On October 24, 2004, Frank Jude, Kirsten Antonissen, Katie Brown, and Lovell Harris attended a party in the city hosted by a Milwaukee police officer and to which a number of other police officers had been invited. At some point, a number of the off-duty officers became involved in an altercation with Mr. Jude. Jude claims that he was beaten for no reason and he did suffer severe injuries. The off-duty officers claim that they became involved with Jude only after they suspected that he had stolen a badge from one of them. They also claim that Jude resisted their efforts to obtain physical control of him. On-duty police were also called to the scene and Jude claims that they, too, used excessive force on him and failed to stop the use of excessive force by those off-duty officers who were striking Mr. Jude. In addition to issues concerning the cause of the altercation, its actual participants, and its course, there is a substantial question of whether the off-duty officers involved in the matter were acting within the scope of their employment. All above-mentioned cases have been consolidated and all proceedings had been stayed pending the outcome of criminal trials. The county prosecutor charged three of the off-duty officers with crimes, but in April 2006 two were found not guilty and the jury could not reach a final verdict as to one charge against the third. Federal authorities indicted eight officers, with civil rights violations, and those cases, proceeded to trial in July 2007. Three of the officers were found guilty and one was acquitted. The other four officers entered into plea agreements. Now that all criminal trials have concluded, the court approved a one-year discovery period, with an extra 180 days for expert discovery. Dispositive motions are due December 1, 2009.

Environmental Liabilities

The financial reporting impact and effect for the City from the implementation of GASB Statement No. 49 was the recognition in the City's financial statements of an expense and liability of \$2.4 million on January 1, 2008. The nature and sources of the City's pollution remediation obligation are asbestos abatement, underground storage tanks, PBC pollution, and contaminated properties. The probability-weighted expected cash flow measurement technique is used in determining the amount of liability. This involves determining a range of probabilities or likelihoods that different probable outlays will be necessary and calculating a weighted average of these outlays. There is a potential for changes in the estimated pollution remediation obligation due to third-party contracts and City labor costs changes, amendments to regulatory requirements and rules, and previously unknown conditions. The estimated costs of \$563,000 to address PBC pollution could increase if the Environment Protection Agency (EPA) does not approve the City's proposed cleanup methods. The EPA could require the City to do additional testing and remediation, resulting in greater costs to the City. The City qualifies for the State of Wisconsin *Municipal Liability Exemption Program* for contaminated properties. As long as the City is protective of human health environment, clean up is not required. The City generally cleans up contaminated properties based on remediation grants awarded to the City. The City does not expect to receive any non-grant revenues from insurance or other parties to reduce the City's liability for pollution remediation.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

During 2008, the City spent \$621,000 in pollution remediation-related activities. At December 31, 2008, the City has an outstanding liability of \$2.5 million related to pollution remediation obligations.

The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Two of the seven landfills have been closed. Of the remaining four landfills that are no longer accepting waste, the Wisconsin Department of Natural Resources has imposed closure requirements on the North College Avenue Site, which the City substantially closed during 2000. The Hartung landfill, which is used exclusively for clean fill, is expected to be closed within three years. The City has accrued \$980,000 in the government-wide financial statement, as part of general liability claims, for landfill closure related to the four sites. These amounts are based upon what it would cost to perform all closure activities in 2001. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Cost's*, establishes requirements for disclosure of closure and postclosure requirements for all municipal solid waste landfills receiving solid waste after October 9, 1991. The City's landfills have not accepted waste of this type since 1976 and is therefore not required to accrue for closure and postclosure care in accordance with GASB Statement No. 18.

Construction Commitments

The governmental activities and the Water Works Fund (enterprise) have construction commitments of \$31,690,000 and \$8,056,000, respectively, for various capital improvement projects at December 31, 2008.

Intergovernmental grants

Intergovernmental awards received by the City are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures, which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements at December 31, 2008.

15. SUBSEQUENT EVENTS

On February 4, 2009, the City issued \$93,180,000 of general obligation short-term promissory notes for the purpose of financing various public improvement projects of the City. The notes mature on February 15 of each year beginning 2010 until 2019. Interest is payable on February 15 and August 15 commencing February 15, 2010.

On February 4, 2009, the City issued \$17,450,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects of the City. These bonds mature on February 15 of each year beginning 2020 until 2024. Interest is payable on February 15 and August 15 commencing February 15, 2020.

On March 17, 2009, the City issued \$116,000,000 of general obligation cash flow promissory notes financing the City's operating budget until the receipt of State shared revenues. These notes mature on December 17, 2009 with interest.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2008
 (Thousands of Dollars)

Exhibit E-1

	Budgeted Amounts		Actual -	Variance
	Original	Final	Amounts	Positive
	Budget	Budget	Budgetary	(Negative)
			Basis	
Revenues:				
Property taxes	\$ 149,263	\$ 149,263	\$ 141,573	\$ (7,690)
Other taxes	3,925	3,925	4,839	914
Licenses and permits	12,911	12,911	12,918	7
Intergovernmental	271,264	271,264	271,100	(164)
Charges for services	77,296	80,125	86,410	6,285
Fines and forfeits	5,502	5,502	5,277	(225)
Other	15,443	15,443	12,864	(2,579)
Total Revenues	535,604	538,433	534,981	(3,452)
Expenditures:				
Current:				
General government	218,167	201,798	199,004	2,794
Public safety	254,047	266,729	266,370	359
Public works	89,035	100,621	103,149	(2,528)
Health	10,514	10,279	10,118	161
Culture and recreation	17,081	17,127	16,782	345
Conservation and development	3,226	3,485	3,456	29
Total Expenditures	592,070	600,039	598,879	1,160
Deficiency of Revenues over Expenditures	(56,466)	(61,606)	(63,898)	(2,292)
Other Financing Sources (Uses):				
General obligation bonds and notes issued	-	4,246	94,246	90,000
Transfers in	27,186	33,375	42,787	9,412
Transfers out	-	(4)	(92,080)	(92,076)
Contributions received	27,450	27,450	21,532	(5,918)
Contributions used	(27,541)	(28,784)	(22,019)	6,765
Use of fund balance - reserved for tax stabilization ...	29,457	29,457	29,457	-
Total Other Financing Sources and Uses	56,552	65,740	73,923	8,183
Net Change in Fund Balance	86	4,134	10,025	5,891
Fund Balance - Beginning (Excludes Reserved for Tax Stabilization)	61,396	61,396	61,396	-
Fund Balance - Ending	\$ 61,482	\$ 65,530	\$ 71,421	\$ 5,891

Explanation of Differences of Budget to GAAP:

For budget purposes, the fund balance - reserved for tax stabilization is reflected as other financing sources whereas for accounting purposes, it is reflected as part of fund balance. The difference between the fund balance on a GAAP basis compared with budget basis is \$29.457 million at January 1, 2008.

Contributions received and used for budget purposes are reported as other financing sources, but for GAAP are considered to be revenues and expenditures.

See accompanying independent auditors' report.

CITY OF MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit E-2

Retiree Health and Life Insurance

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2007	-	\$ 806,300,000	\$ 806,300,000	0.0%	\$ 412,731,863	195.4%
7/1/2008	-	880,700,000	880,700,000	0.0%	425,360,370	207.0%

See accompanying independent auditors' report.

CITY OF MILWAUKEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2008

Budgets and Budgetary Accounting

City departments are required to submit their annual budget requests for the ensuing year to the Mayor by the second Tuesday in May. The Department of Administration, Division of Budget and Management Analysis, acting as staff for the Mayor, reviews the request in detail with the departments during June and July. After all of the requests have been reviewed, the Mayor submits his proposed Executive Budget to the Common Council. The City Charter requires that this be done on or before September 28. The Common Council must complete its review and adopt the budget on or before November 14. Once adopted, Common Council approval is required to amend the total appropriations by a department, the legal level of control for each budget. During the year, various amendments were made to the budget including carryovers of appropriations and encumbrances, and internal transfers.

Annual budgets are legally adopted by the Common Council for some but not all governmental funds. Annual budgets are not adopted for Special Revenue Fund - Delinquent Tax, Debt Service Fund - Public Debt Amortization and Capital Projects Funds. The Debt Service Fund - General Obligation Debt uses a non-appropriated budget. Budgets for Capital Projects Funds are prepared for the project life, rather than for the standard current fiscal year. Therefore, project appropriations for these budgets lapse at the conclusion of the project. All other appropriations lapse at the end of the current fiscal year. Governmental funds for which annual budgets have been adopted are included in the accompanying Required Supplementary Information Budgetary Comparison Schedule and in the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.

Schedule of Funding Progress – Actuarial Methods and Assumptions

Valuation date	July 1, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level-dollar
Amortization period	30 years (open)
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	3.5%
Health care inflation rate	10% initial
	4.5% ultimate

**COMBINING
AND INDIVIDUAL
FUND STATEMENTS
AND SCHEDULES**

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Nonmajor Governmental Funds

Nonmajor funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Grant and Aid Projects – This fund is used to account for Federal and State grants whose proceeds are legally restricted to expenditures for specific purposes and which are not accounted for in other special revenue funds.

Community Development Block Grant – The Community Development Block Grant Program receives annual grants pursuant to the Federal Housing and Community Development Act of 1974. This fund also includes amounts received under the Section 108 Loan Program. The City's Department of Administration is responsible for the planning, execution and evaluation of the Program.

Delinquent Tax – This fund was established as a reserve against uncollected delinquent property taxes. Fund resources, consisting initially of bond proceeds, are used to purchase delinquent property taxes from the General Fund. Collections on these purchased receivables and related interest thereon are transferred to the General Obligation Debt Service Fund to provide for the related debt service requirements.

Economic Development Fund – This fund provides expenditure authority for owner financed economic development in commercial areas, including the Business Improvement District program.

CITY OF MILWAUKEE
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2008
 (Thousands of Dollars)

Exhibit F-1

	Grant and Aid Projects	Community Development Block Grant	Delinquent Tax	Economic Development	Total Nonmajor Governmental Funds
ASSETS					
Assets:					
Cash and cash equivalents	\$ 2,096	\$ -	\$ 12,690	\$ 737	\$ 15,523
Receivables (net):					
Taxes	-	-	10,215	-	10,215
Accounts	136	250	-	-	386
Notes and loans	17,731	2,039	-	-	19,770
Due from component units	46	24	-	-	70
Due from other governmental agencies	9,534	2,354	-	-	11,888
Total Assets	\$ 29,543	\$ 4,667	\$ 22,905	\$ 737	\$ 57,852
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,337	\$ 1,634	\$ 1	\$ -	\$ 3,972
Accrued expenses	91	92	-	-	183
Due to other funds	6,920	596	-	-	7,516
Due to component units	1	56	-	-	57
Due to other governmental agencies	252	250	-	-	502
Deferred revenue	7,509	3	2,002	-	9,514
Total Liabilities	17,110	2,631	2,003	-	21,744
Fund Balances:					
Reserved for debt service	-	-	12,689	-	12,689
Reserved for delinquent taxes receivable ..	-	-	8,213	-	8,213
Reserved for economic development	-	-	-	737	737
Unreserved, undesignated	12,433	2,036	-	-	14,469
Total Fund Balances	12,433	2,036	20,902	737	36,108
Total Liabilities and Fund Balances	\$ 29,543	\$ 4,667	\$ 22,905	\$ 737	\$ 57,852
<i>See accompanying independent auditors' report.</i>					

CITY OF MILWAUKEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008
 (Thousands of Dollars)

Exhibit F-2

	Grant and Aid Projects	Community Development Block Grant	Delinquent Tax	Economic Development	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	\$ -	\$ -	\$ 4,657	\$ -	\$ 4,657
Intergovernmental	36,724	17,406	-	-	54,130
Other	-	-	2,861	6,473	9,334
Total Revenues	36,724	17,406	7,518	6,473	68,121
Expenditures:					
Current:					
General government	-	1,981	1,140	-	3,121
Public safety	11,928	1,636	-	-	13,564
Public works	5,711	336	-	-	6,047
Health	10,316	314	-	-	10,630
Culture and recreation	1,109	967	-	-	2,076
Conservation and development	9,027	12,175	-	7,138	28,340
Total Expenditures	38,091	17,409	1,140	7,138	63,778
Excess (deficiency) of Revenues over Expenditures	(1,367)	(3)	6,378	(665)	4,343
Other Financing Sources (Uses):					
General obligation bonds and notes issued .	-	-	21,075	-	21,075
Loans receivable activities.....	(346)	(172)	-	-	(518)
Transfers out	-	-	(23,230)	-	(23,230)
Total Other Financing Sources and Uses	(346)	(172)	(2,155)	-	(2,673)
Net Change in Fund Balances	(1,713)	(175)	4,223	(665)	1,670
Fund Balances - Beginning	14,146	2,211	16,679	1,402	34,438
Fund Balances - Ending	\$ 12,433	\$ 2,036	\$ 20,902	\$ 737	\$ 36,108
See accompanying independent auditors' report.					

CITY OF MILWAUKEE Exhibit F-3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GRANT AND AID PROJECTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Thousands of Dollars)

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 40,290	\$ 36,724	\$ (3,566)
Expenditures:			
Current:			
Public safety	12,329	11,928	401
Public works	6,079	5,711	368
Health	11,744	10,316	1,428
Culture and recreation	1,111	1,109	2
Conservation and development	9,027	9,027	-
Total Expenditures	40,290	38,091	2,199
Excess of Revenues over (under) Expenditures	-	(1,367)	(1,367)
Other Financing Sources (Uses):			
Loans receivable activities	-	(346)	(346)
Net Change in Fund Balance	-	(1,713)	(1,713)
Fund Balance - Beginning	-	14,146	14,146
Fund Balance - Ending	\$ -	\$ 12,433	\$ 12,433

See accompanying independent auditors' report.

CITY OF MILWAUKEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT
FOR THE YEAR ENDED DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit F-4

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 17,406	\$ 17,406	\$ -
Expenditures:			
Current:			
General government	1,981	1,981	-
Public safety	1,636	1,636	-
Public works	336	336	-
Health	314	314	-
Culture and recreation	967	967	-
Conservation and development	12,175	12,175	-
Total Expenditures	17,409	17,409	-
Excess of Revenues over (under) Expenditures	(3)	(3)	-
Other Financing Sources (Uses):			
Loans receivable activities	(172)	(172)	-
Fund Balance - Beginning	2,211	2,211	-
Fund Balance - Ending	\$ 2,036	\$ 2,036	\$ -

See accompanying independent auditors' report.

CITY OF MILWAUKEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT
 FOR THE YEAR ENDED DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit F-5

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Other	\$ 6,680	\$ 6,473	\$ (207)
Expenditures:			
Current:			
Conservation and development	8,054	7,138	\$ 916
Excess of Revenues over (under) Expenditures	(1,374)	(665)	709
Fund Balance - Beginning	1,402	1,402	-
Fund Balance - Ending	\$ 28	\$ 737	\$ 709

See accompanying independent auditors' report.

Nonmajor Enterprise Funds

Enterprise Funds are used to account for operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Port of Milwaukee – All activities necessary to operate and maintain the Port of Milwaukee and other related harbor activities are accounted for in this fund.

Metropolitan Sewerage District User Charge – The Metropolitan Sewerage District User Charge Fund is used to account for sewerage treatment charges by the Milwaukee Metropolitan Sewerage District to the City on a “wholesale” user charge basis and the subsequent billing by the City to customers on a “retail” basis. The City adds administrative expense to the District’s charges and includes the sewer user charges on the quarterly water bills.

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
 DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit G-1

	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Receivables (net):			
Accounts	\$ 2,196	\$ 10,680	\$ 12,876
Unbilled accounts	-	2,693	2,693
Due from other funds	-	534	534
Due from other governmental agencies	1,073	-	1,073
Total Current Assets	<u>3,269</u>	<u>13,907</u>	<u>17,176</u>
Noncurrent assets:			
Capital assets:			
Capital assets not being depreciated:			
Land	7,791	-	7,791
Capital assets being depreciated:			
Buildings	13,484	-	13,484
Infrastructures	15,556	-	15,556
Improvements other than buildings	2,288	-	2,288
Machinery and equipment	4,682	-	4,682
Furniture and furnishings	37	-	37
Accumulated depreciation	(21,125)	-	(21,125)
Total Noncurrent Assets	<u>22,713</u>	<u>-</u>	<u>22,713</u>
Total Assets	<u>25,982</u>	<u>13,907</u>	<u>39,889</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	733	8,384	9,117
Accrued expenses	178	-	178
Accrued interest payable	52	-	52
Due to other funds	1,921	10,389	12,310
General obligation debt payable - current	508	-	508
Total Current Liabilities	<u>3,392</u>	<u>18,773</u>	<u>22,165</u>
Noncurrent Liabilities:			
General obligation debt	2,750	-	2,750
Other post employment benefits obligation	97	-	97
Total Noncurrent Liabilities	<u>2,847</u>	<u>-</u>	<u>2,847</u>
Total Liabilities	<u>6,239</u>	<u>18,773</u>	<u>25,012</u>
NET ASSETS:			
Invested in capital assets, net of related debt	19,454	-	19,454
Unrestricted	289	(4,866)	(4,577)
Total Net Assets (Accumulated Deficit)	<u>\$ 19,743</u>	<u>\$ (4,866)</u>	<u>\$ 14,877</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008
 (Thousands of Dollars)

Exhibit G-2

	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
Operating Revenues:			
Charges for Services:			
Statutory sewer user fee	\$ -	\$ 38,968	\$ 38,968
Rent	5,017	-	5,017
Other	-	1,111	1,111
Total Operating Revenues	<u>5,017</u>	<u>40,079</u>	<u>45,096</u>
Operating Expenses:			
Milwaukee Metropolitan Sewerage District Charges	-	35,429	35,429
Employee services	1,791	97	1,888
Administrative and general	-	42	42
Depreciation	1,219	-	1,219
Transmission and distribution	-	3,318	3,318
Services, supplies and materials	1,051	-	1,051
Billing and collection	-	1,333	1,333
Total Operating Expenses	<u>4,061</u>	<u>40,219</u>	<u>44,280</u>
Operating Income (Loss)	<u>956</u>	<u>(140)</u>	<u>816</u>
Nonoperating Revenues (Expenses):			
Interest expense	(120)	-	(120)
Other	<u>(1)</u>	<u>-</u>	<u>(1)</u>
Total Nonoperating Revenues (Expenses)	<u>(121)</u>	<u>-</u>	<u>(121)</u>
Income (Loss) before Contributions and Transfers	835	(140)	695
Capital contributions	5,524	-	5,524
Transfers in	667	-	667
Transfers out	<u>(2,018)</u>	<u>-</u>	<u>(2,018)</u>
Change in Net Assets	5,008	(140)	4,868
Total Net Assets (Accumulated Deficit) - Beginning	<u>14,735</u>	<u>(4,726)</u>	<u>10,009</u>
Total Net Assets (Accumulated Deficit) - Ending	<u>\$ 19,743</u>	<u>\$ (4,866)</u>	<u>\$ 14,877</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit G-3

	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 4,303	\$ 37,341	\$ 41,644
Payments to suppliers	(587)	(40,591)	(41,178)
Payments to employees	(1,712)	(98)	(1,810)
Payments from other funds	-	3,348	3,348
Payments to other funds	(391)	-	(391)
Net Cash Provided by Operating Activities	<u>1,613</u>	<u>-</u>	<u>1,613</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	667	-	667
Transfers to other funds	(2,018)	-	(2,018)
Net Cash Used for Noncapital Financing Activities	<u>(1,351)</u>	<u>-</u>	<u>(1,351)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contributions	379	-	379
Proceeds from sale of bonds and notes	54	-	54
Acquisition of property, plant and equipment	(32)	-	(32)
Retirement of bonds, notes and revenue bonds	(483)	-	(483)
Interest paid	(180)	-	(180)
Other	-	-	-
Net Cash Used for Capital and Related Financing Activities	<u>(262)</u>	<u>-</u>	<u>(262)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents - Beginning	-	-	-
Cash and Cash Equivalents - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 956	\$ (140)	\$ 816
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	1,219	-	1,219
Changes in assets and liabilities:			
Receivables	(641)	(2,738)	(3,379)
Due from other funds	-	583	583
Due from other governmental agencies	(73)	-	(73)
Accounts payable	464	(469)	(5)
Accrued liabilities	79	(1)	78
Due to other funds	(391)	2,765	2,374
Deferred revenue	-	-	-
Net Cash Provided by Operating Activities	<u>\$ 1,613</u>	<u>\$ -</u>	<u>\$ 1,613</u>
<i>See accompanying independent auditors' report.</i>			

Agency Funds

These funds account for taxes and deposits collected by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

CITY OF MILWAUKEE
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008
 (Thousands of Dollars)

Exhibit H-1

	Balance 01-01-08	Additions	Deductions	Balance 12-31-08
BOARD OF SCHOOL DIRECTORS FUND				
ASSETS				
Cash and cash equivalents	\$ 170,561	\$ 1,449,086	\$ 1,398,254	\$ 221,393
Taxes receivable	-	134,242	134,242	-
Total Assets	\$ 170,561	\$ 1,583,328	\$ 1,532,496	\$ 221,393
LIABILITIES				
Due to Other Governmental Agencies:				
Milwaukee School Board	\$ 170,561	\$ 1,449,086	\$ 1,398,254	\$ 221,393
PROPERTY TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 102,030	\$ 221,806	\$ 219,783	\$ 104,053
Taxes Receivable	-	117,723	117,723	-
Total Assets	\$ 102,030	\$ 339,529	\$ 337,506	\$ 104,053
LIABILITIES				
Due to Other Governmental Agencies:				
State of Wisconsin	\$ 34	\$ 5,435	\$ 5,448	\$ 21
Milwaukee County	58,193	120,932	119,914	59,211
Menomonee Falls School District	-	178	178	-
Milwaukee Area District Board of Vocational Technical & Adult Education	25,423	55,559	54,675	26,307
Milwaukee Metropolitan Sewerage District	18,380	39,665	39,531	18,514
Washington County	-	3	3	-
Waukesha County	-	34	34	-
Total Liabilities	\$ 102,030	\$ 221,806	\$ 219,783	\$ 104,053
PAYROLL DEDUCTIONS FUND				
ASSETS				
Cash and cash equivalents	\$ 235	\$ 1,303	\$ 1,387	\$ 151
LIABILITIES				
Accounts payable	\$ 235	\$ 1,303	\$ 1,387	\$ 151
See accompanying independent auditors' report.				

CITY OF MILWAUKEE
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008
 (Thousands of Dollars)

Exhibit H-1 (Continued)

	Balance 01-01-08	Additions	Deductions	Balance 12-31-08
FEES, PENALTIES AND SALES TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 335	\$ 3,528	\$ 3,473	\$ 390
LIABILITIES				
Accounts payable	\$ 1	\$ 90	\$ 91	\$ -
Due to Other Governmental Agencies:				
State of Wisconsin	302	2,706	2,657	351
Milwaukee County	32	732	725	39
Total Liabilities	\$ 335	\$ 3,528	\$ 3,473	\$ 390
OTHER				
ASSETS				
Cash and cash equivalents	\$ 1,208	\$ 14,237	\$ 14,284	\$ 1,161
LIABILITIES				
Accounts payable	\$ 1,208	\$ 14,237	\$ 14,284	\$ 1,161
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 274,369	\$ 1,689,960	\$ 1,637,181	\$ 327,148
Receivables:				
Taxes	-	251,965	251,965	-
Total Assets	\$ 274,369	\$ 1,941,925	\$ 1,889,146	\$ 327,148
LIABILITIES				
Accounts payable	\$ 1,444	\$ 15,630	\$ 15,762	\$ 1,312
Due to other governmental agencies	272,925	1,674,330	1,621,419	325,836
Total Liabilities	\$ 274,369	\$ 1,689,960	\$ 1,637,181	\$ 327,148
<i>See accompanying independent auditors' report.</i>				

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**MISCELLANEOUS
FINANCIAL
DATA**

Exhibit I-1

	Real Estate	Personal Property	Total
Year Levied			
1985 -1997	\$ 610	\$ 1	\$ 611
1998	134	-	134
1999	146	-	146
2000	116	1	117
2001	231	-	231
2002	256	261	517
2003	374	221	595
2004	882	338	1,220
2005	1,363	277	1,640
2006	5,393	401	5,794
2007	<u>24,059</u>	<u>612</u>	<u>24,671</u>
Delinquent Taxes Receivable	<u>\$ 33,564</u>	<u>\$ 2,112</u>	35,676
Add: Property taxes receivable on foreclosed property (A)			<u>14,864</u>
Total Delinquent Taxes Receivable			50,540
Less: Estimated uncollectible taxes			<u>(16,434)</u>
Net Delinquent Taxes Receivable			<u>\$ 34,106</u>
<i>See accompanying independent auditors' report.</i>			
(A) Property taxes receivable on foreclosed property is valued at the cost of delinquent taxes and assessments on acquired property.			

CITY OF MILWAUKEE
COMBINED SCHEDULE OF CASH AND CASH EQUIVALENTS AND INVESTMENTS - PRIMARY GOVERNMENT
 DECEMBER 31, 2008
 (Thousands of Dollars)

Exhibit I-2

Cash and Cash Equivalents:

Cash	\$ 59,582	
Local Government Pooled - Investment Fund	124,477	
Institutional Money Market Fund	107	
Cash with Fiscal Agent	8,772	
Certificates of Deposit	<u>433,245</u>	
Total Cash and Cash Equivalents		\$ 626,183

Investments:

Treasury Notes, Bills and Agencies	9,093	
Other	<u>173</u>	
Total Investments		<u>9,266</u>

Total Cash and Cash Equivalents and Investments		<u>\$ 635,449</u>
---	--	-------------------

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Total
Cash and Cash Equivalents and Investments - Fund:				
General	\$ 74,671	\$ 173	\$ -	\$ 74,844
General Obligation Debt Service	112,942	-	-	112,942
Public Debt Amortization	33,849	5,953	-	39,802
Capital Projects	7,058	-	-	7,058
Nonmajor Governmental Funds	15,523	-	-	15,523
Water Works	18,897	-	655	19,552
Sewer Maintenance	-	-	10,280	10,280
Parking	21,991	-	-	21,991
Nonmajor Enterprise Funds	-	-	-	-
Pension and Other Employee Benefit Trusts	357	-	-	357
Private-Purpose Trusts	2,812	3,140	-	5,952
Agency Funds	<u>327,148</u>	<u>-</u>	<u>-</u>	<u>327,148</u>
Total Cash and Cash Equivalents and Investments - Fund	<u>\$ 615,248</u>	<u>\$ 9,266</u>	<u>\$ 10,935</u>	<u>\$ 635,449</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit I-3

Year	Bridges		Economic Development		Finance Real and Personal Property Tax Receivables	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 1,904	\$ 783	\$ 38	\$ 3	\$ 18,308	\$1,459
2010	1,851	689	21	1	9,064	439
2011	1,676	596	2	1	2,346	218
2012	1,579	514	2	-	2,247	122
2013	1,475	436	2	-	1,411	52
2014	1,342	363	1	-	760	13
2015	1,328	298	1	-	-	-
2016	1,096	233	-	-	-	-
2017	945	183	-	-	-	-
2018	1,005	139	-	-	-	-
2019	734	102	-	-	-	-
2020	547	73	-	-	-	-
2021	731	44	-	-	-	-
2022	287	23	-	-	-	-
2023	184	14	-	-	-	-
2024	184	8	-	-	-	-
2025	184	1	-	-	-	-
2026	-	-	-	-	-	-
Totals	17,052	4,499	67	5	34,136	2,303
Total Requirements	<u>\$ 21,551</u>		<u>\$ 72</u>		<u>\$ 36,439</u>	

See accompanying independent auditors' report.

Financial Management Information System Replacement Project		Fire		Grant and Aid Improvements - City Share	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 410	\$ 10	\$ 1,880	\$ 786	\$ 76	\$ 12
-	-	1,884	691	62	10
-	-	1,868	598	62	7
-	-	1,848	505	39	5
-	-	1,820	413	39	3
-	-	1,807	323	15	1
-	-	1,118	248	15	1
-	-	798	198	7	-
-	-	1,156	150	-	-
-	-	5,722	70	-	-
-	-	307	49	-	-
-	-	282	34	-	-
-	-	271	21	-	-
-	-	271	7	-	-
-	-	4	-	-	-
-	-	4	-	-	-
-	-	5	-	-	-
-	-	-	-	-	-
<u>410</u>	<u>10</u>	<u>21,045</u>	<u>4,093</u>	<u>315</u>	<u>39</u>
<u>\$420</u>		<u>\$ 25,138</u>		<u>\$ 354</u>	

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Harbor		Industrial Land Bank		Lakefront Development	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 508	\$ 158	\$ 27	\$ 2	\$ 3	\$ -
2010	429	133	15	1	2	-
2011	429	111	1	1	1	-
2012	388	89	1	-	-	-
2013	350	70	1	-	-	-
2014	341	52	1	-	-	-
2015	314	36	1	-	-	-
2016	142	21	-	-	-	-
2017	95	14	-	-	-	-
2018	75	10	-	-	-	-
2019	71	6	-	-	-	-
2020	44	4	-	-	-	-
2021	44	2	-	-	-	-
2022	9	-	-	-	-	-
2023	4	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
Totals	3,243	706	47	4	6	-
Total Requirements	<u>\$ 3,949</u>		<u>\$ 51</u>		<u>\$ 6</u>	

See accompanying independent auditors' report.

Library		Local Improvement Projects/ Special Assessments		Milwaukee Exposition and Convention Center and Arena		Municipal Expenses	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 985	\$ 362	\$ 1,637	\$ 660	\$ 11	\$ 1	\$ 1,600	\$ 2
960	312	1,370	579	7	-	-	-
808	265	1,161	517	1	-	-	-
765	226	958	467	1	-	-	-
791	187	1,137	409	1	-	-	-
742	148	1,045	353	-	-	-	-
515	114	676	308	-	-	-	-
507	89	2,421	273	-	-	-	-
447	65	2,130	173	-	-	-	-
1,513	33	2,073	87	-	-	-	-
220	21	23	1	-	-	-	-
165	12	-	-	-	-	-	-
108	5	-	-	-	-	-	-
58	1	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>8,584</u>	<u>1,840</u>	<u>14,631</u>	<u>3,827</u>	<u>21</u>	<u>1</u>	<u>1,600</u>	<u>2</u>
<u>\$ 10,424</u>		<u>\$ 18,458</u>		<u>\$ 22</u>		<u>\$ 1,602</u>	

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
 DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Parking		Playgrounds/ Recreational Facilities		Police	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 1,722	\$ 519	\$ 1,186	\$ 325	\$ 5,427	\$ 1,702
2010	1,319	422	1,066	266	5,016	1,431
2011	1,251	360	896	215	4,365	1,171
2012	1,094	300	655	176	4,452	953
2013	973	248	743	141	3,806	746
2014	954	201	698	104	2,815	554
2015	843	156	517	73	2,922	423
2016	678	114	378	51	1,532	286
2017	455	81	209	36	1,361	210
2018	383	59	3,168	5	6,065	103
2019	318	43	18	1	375	66
2020	275	29	-	-	280	51
2021	204	18	-	-	424	34
2022	192	8	-	-	236	21
2023	82	2	-	-	174	13
2024	-	-	-	-	174	7
2025	-	-	-	-	174	1
2026	-	-	-	-	-	-
Totals	10,743	2,560	9,534	1,393	39,598	7,772
Total Requirements	<u>\$ 13,303</u>		<u>\$ 10,927</u>		<u>\$ 47,370</u>	

See accompanying independent auditors' report.

Public Buildings		Resource Recovery		Schools		Sewer Maintenance	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 14,647	\$ 7,033	\$ 9	\$ 1	\$ 10,376	\$ 4,339	\$ 268	\$ 176
14,256	6,114	5	-	9,977	3,738	269	164
13,732	5,440	-	-	9,587	3,240	272	153
12,722	4,799	-	-	8,461	2,779	273	141
12,674	4,186	-	-	7,837	2,356	293	129
11,967	3,579	-	-	7,274	1,967	296	117
11,154	3,011	-	-	6,242	1,627	299	103
10,513	2,493	-	-	8,272	1,319	302	89
8,141	2,050	-	-	5,958	933	277	76
44,246	1,307	-	-	5,105	639	277	62
6,781	949	-	-	4,436	399	277	48
5,386	672	-	-	3,567	201	277	35
6,290	401	-	-	227	25	277	21
2,797	206	-	-	227	15	277	7
2,009	109	-	-	227	5	-	-
1,186	49	-	-	-	-	-	-
1,186	7	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>179,687</u>	<u>42,405</u>	<u>14</u>	<u>1</u>	<u>87,773</u>	<u>23,582</u>	<u>3,934</u>	<u>1,321</u>
<u>\$ 222,092</u>		<u>\$ 15</u>		<u>\$ 111,355</u>		<u>\$ 5,255</u>	

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
 DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Sewers		Streets		Tax Incremental Districts	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 6,507	\$ 2,195	\$ 9,052	\$ 3,740	\$ 9,955	\$ 6,411
2010	5,875	1,856	8,397	3,262	10,147	5,918
2011	5,350	1,571	6,976	2,847	10,291	5,418
2012	5,139	1,314	6,672	2,504	9,637	4,921
2013	4,578	1,059	6,082	2,181	9,724	4,441
2014	4,328	832	5,245	1,879	8,753	3,958
2015	3,757	624	4,569	1,632	8,401	3,539
2016	2,827	434	3,794	1,409	8,064	3,104
2017	1,762	294	3,170	1,227	9,914	2,691
2018	1,281	208	18,865	667	41,455	1,913
2019	740	157	1,429	536	8,033	1,367
2020	683	124	1,187	477	7,069	983
2021	851	86	3,233	364	7,204	631
2022	704	55	2,475	259	5,280	325
2023	488	31	2,345	173	3,485	111
2024	368	15	2,245	92	535	13
2025	368	2	2,245	13	-	-
2026	-	-	-	-	-	-
Totals	45,606	10,857	87,981	23,262	157,947	45,744
Total Requirements	<u>\$ 56,463</u>		<u>\$ 111,243</u>		<u>\$ 203,691</u>	

See accompanying independent auditors' report.

Urban Renewal		Water		Total Requirements	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 2,190	\$ 876	\$ 1,989	\$ 850	\$ 90,715	\$ 32,405
2,156	763	2,492	753	76,640	27,542
1,989	656	2,966	634	66,030	24,019
1,795	558	2,492	494	61,220	20,867
1,477	469	2,101	359	57,315	17,885
1,530	395	2,286	251	52,200	15,090
1,356	319	1,677	141	45,705	12,653
887	251	982	53	43,200	10,417
439	208	21	3	36,480	8,394
2,580	140	22	2	133,835	5,444
371	116	22	1	24,155	3,862
233	102	-	-	19,995	2,797
671	78	-	-	20,535	1,730
597	54	-	-	13,410	981
468	34	-	-	9,470	492
439	18	-	-	5,135	202
438	3	-	-	4,600	27
-	-	-	-	-	-
<u>19,616</u>	<u>5,040</u>	<u>17,050</u>	<u>3,541</u>	<u>760,640</u>	<u>184,807</u>
<u>\$ 24,656</u>		<u>\$ 20,591</u>		<u>\$ 945,447</u>	

Exhibit I-4

Year	Principal	Interest	Total Requirements
2009	915	260	1,175
2010	939	236	1,175
2011	964	211	1,175
2012	989	185	1,174
2013	1,015	158	1,173
2014	1,042	131	1,173
2015	1,069	104	1,173
2016	1,098	75	1,173
2017	1,127	45	1,172
2018	<u>1,157</u>	<u>15</u>	<u>1,172</u>
	<u>\$ 10,315</u>	<u>\$ 1,420</u>	<u>\$ 11,735</u>

See accompanying independent auditors' report.

Note: Water Revenue bond coverage on Series SDWL - 1, 2, 3, 4 and 5 for 2007 consisted of gross revenues plus interest income in the amount of \$74,207, less operating expenses (excluding depreciation but including the payment in lieu of taxes) of \$58,960. As a result, the net revenue available for debt service was \$15,247. Debt service requirements consisted of \$1,175 for 2008. At the end of the year, bond coverage computes to 12.98.

CITY OF MILWAUKEE
**DEBT SERVICE REQUIREMENTS TO MATURITY - SEWERAGE SYSTEM REVENUE
AND DISCLOSURE OF BOND COVERAGE**
(Thousands of Dollars)

Exhibit I-5

Year	Revenue Bonds		State Loans (Revenue Bonds)		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	2,740	2,386	2,000	1,166	4,740	3,552
2010	2,840	2,274	2,048	1,117	4,888	3,391
2011	2,940	2,151	2,098	1,067	5,038	3,218
2012	3,050	2,015	2,148	1,016	5,198	3,031
2013	3,175	1,865	2,199	964	5,374	2,829
2014	3,310	1,703	2,252	912	5,562	2,615
2015	3,465	1,539	2,306	856	5,771	2,395
2016	3,625	1,361	2,361	800	5,986	2,161
2017	3,800	1,170	2,418	743	6,218	1,913
2018	3,975	975	2,475	685	6,450	1,660
2019	4,160	776	2,535	624	6,695	1,400
2020	4,360	564	2,596	563	6,956	1,127
2021	4,565	341	2,658	500	7,223	841
2022	2,375	168	2,722	436	5,097	604
2023	2,475	54	2,787	370	5,262	424
2024	-	-	2,854	302	2,854	302
2025	-	-	2,922	232	2,922	232
2026	-	-	2,992	162	2,992	162
2027	-	-	3,064	89	3,064	89
2028	-	-	2,218	26	2,218	26
	<u>\$ 50,855</u>	<u>\$ 19,342</u>	<u>\$ 49,653</u>	<u>\$ 12,630</u>	<u>\$ 100,508</u>	<u>\$ 31,972</u>
See accompanying independent auditors' report.						
Note:	Sewerage System Revenue Bonds coverage consisted of gross revenues plus interest income in the amount of \$38,649 less operating expenses (excluding depreciation) of \$16,334. As a result, the net revenue available for debt service was \$22,315. Debt service requirements consisted of \$5,137 for 2008. At the end of the year, bond coverage computes to 4.34.					

CITY OF MILWAUKEE
SCHEDULE OF ACCOUNT BALANCES
CAPITAL PROJECTS BY PURPOSE
 DECEMBER 31, 2008
 (Thousands of Dollars)

Exhibit I-6

	Bridges	Special Projects	Fire Department	Library	Playgrounds & Recreation
ASSETS					
Assets:					
Cash and cash equivalents	\$ -	\$ 706	\$ 422	\$ 113	\$ 552
Receivables (net):					
Taxes	-	15	-	-	376
Accounts	-	-	-	-	-
Special Assessments	-	-	-	-	-
Due from component units	-	-	-	-	-
Due from other governmental agencies	-	-	-	-	9
Inventory of materials and supplies	-	-	-	-	-
Total Assets	\$ -	\$ 721	\$ 422	\$ 113	\$ 937
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 58	\$ -	\$ 1	\$ 236	\$ 26
Accrued expenses	15	-	-	-	5
Due to other funds	1,849	-	-	-	-
Due to component units	-	-	-	-	-
Due to other governmental agencies	-	-	-	-	-
Deferred revenue	-	25	-	-	640
Advances from other funds	-	-	-	-	-
Total Liabilities	1,922	25	1	236	671
Fund Balance:					
Reserved for encumbrances, prepaids, and carryovers	-	696	421	-	266
Reserved for inventory	-	-	-	-	-
Unreserved:					
Undesignated	(1,922)	-	-	(123)	-
Special assessment (deficit)	-	-	-	-	-
Total Fund Balance	(1,922)	696	421	(123)	266
Total Liabilities and Fund Balance	\$ -	\$ 721	\$ 422	\$ 113	\$ 937
<i>See accompanying independent auditors' report.</i>					

Police Department	Public Buildings	Sewers	Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Total
\$ 445	\$ 4,647	\$ -	\$ 173	\$ -	\$ -	\$ -	\$ 7,058
94	258	-	294	-	2,789	-	3,826
-	-	206	-	357	-	32	595
-	-	-	-	-	-	14,216	14,216
-	-	-	-	-	457	-	457
-	-	-	-	3,863	-	-	3,872
-	-	297	-	-	-	-	297
<u>\$ 539</u>	<u>\$ 4,905</u>	<u>\$ 503</u>	<u>\$ 467</u>	<u>\$ 4,220</u>	<u>\$ 3,246</u>	<u>\$ 14,248</u>	<u>\$ 30,321</u>
\$ 333	\$ 5,876	\$ 235	\$ 810	\$ 1,410	\$ 2,793	\$ 117	\$ 11,895
6	40	3	-	105	17	-	191
-	-	2,076	-	2,894	12,168	-	18,987
-	-	-	8	-	52	-	60
-	-	-	-	-	-	-	-
160	439	22	500	3,722	4,742	12,922	23,172
-	-	-	-	-	-	13,367	13,367
<u>499</u>	<u>6,355</u>	<u>2,336</u>	<u>1,318</u>	<u>8,131</u>	<u>19,772</u>	<u>26,406</u>	<u>67,672</u>
40	-	-	-	-	-	-	1,423
-	-	297	-	-	-	-	297
-	(1,450)	(2,130)	(851)	(3,911)	(16,526)	-	(26,913)
-	-	-	-	-	-	(12,158)	(12,158)
<u>40</u>	<u>(1,450)</u>	<u>(1,833)</u>	<u>(851)</u>	<u>(3,911)</u>	<u>(16,526)</u>	<u>(12,158)</u>	<u>(37,351)</u>
<u>\$ 539</u>	<u>\$ 4,905</u>	<u>\$ 503</u>	<u>\$ 467</u>	<u>\$ 4,220</u>	<u>\$ 3,246</u>	<u>\$ 14,248</u>	<u>\$ 30,321</u>

CITY OF MILWAUKEE
SCHEDULE OF REVENUES , EXPENDITURES, AND CHANGES IN FUND BALANCE -
CAPITAL PROJECTS BY PURPOSE
 FOR THE YEAR ENDED DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit I-7

	Bridges	Special Projects	Fire Department	Library	Playgrounds & Recreation
Revenues:					
Property taxes	\$ -	\$ 25	\$ 86	\$ -	\$ 366
Special Assessments	-	-	-	-	-
Intergovernmental	711	-	-	-	165
Other	-	-	-	-	-
Total Revenues	711	25	86	-	531
Expenditures:					
Capital outlay	4,121	2	4,090	1,089	2,382
Excess (deficiency) of Revenues over Expenditures	(3,410)	23	(4,004)	(1,089)	(1,851)
Other Financing Sources (Uses):					
General obligation bonds and notes issued	145	-	5,409	1,280	3,140
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources and Uses	145	-	5,409	1,280	3,140
Net Change in Fund Balance	(3,265)	23	1,405	191	1,289
Fund Balance (Deficit) - Beginning	1,343	673	(984)	(314)	(1,023)
Fund Balance (Deficit) - Ending	<u>\$(1,922)</u>	<u>\$ 696</u>	<u>\$ 421</u>	<u>\$ (123)</u>	<u>\$ 266</u>

See accompanying independent auditors' report.

Police Department	Public Buildings	Sewers	Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Schools Financing	Total
\$ -	\$ -	\$ -	\$ 200	\$ 3,337	\$ 3,192	\$ -	\$ -	\$ 7,206
-	-	-	-	-	-	3,631	-	3,631
-	-	30	-	6,142	-	-	-	7,048
<u>-</u>	<u>50</u>	<u>142</u>	<u>-</u>	<u>295</u>	<u>1,429</u>	<u>-</u>	<u>-</u>	<u>1,916</u>
<u>-</u>	<u>50</u>	<u>172</u>	<u>200</u>	<u>9,774</u>	<u>4,621</u>	<u>3,631</u>	<u>-</u>	<u>19,801</u>
<u>3,770</u>	<u>33,832</u>	<u>3,318</u>	<u>3,607</u>	<u>24,156</u>	<u>26,220</u>	<u>2,838</u>	<u>5,400</u>	<u>114,825</u>
<u>(3,770)</u>	<u>(33,782)</u>	<u>(3,146)</u>	<u>(3,407)</u>	<u>(14,382)</u>	<u>(21,599)</u>	<u>793</u>	<u>(5,400)</u>	<u>(95,024)</u>
5,345	49,713	1,800	2,648	18,414	31,399	-	5,400	124,693
-	-	-	468	-	391	-	-	859
<u>-</u>	<u>-</u>	<u>-</u>	<u>(35)</u>	<u>-</u>	<u>(651)</u>	<u>-</u>	<u>-</u>	<u>(686)</u>
<u>5,345</u>	<u>49,713</u>	<u>1,800</u>	<u>3,081</u>	<u>18,414</u>	<u>31,139</u>	<u>-</u>	<u>5,400</u>	<u>124,866</u>
1,575	15,931	(1,346)	(326)	4,032	9,540	793	-	29,842
<u>(1,535)</u>	<u>(17,381)</u>	<u>(487)</u>	<u>(525)</u>	<u>(7,943)</u>	<u>(26,066)</u>	<u>(12,951)</u>	<u>-</u>	<u>(67,193)</u>
<u>\$ 40</u>	<u>\$ (1,450)</u>	<u>\$ (1,833)</u>	<u>\$ (851)</u>	<u>\$ (3,911)</u>	<u>\$ (16,526)</u>	<u>\$ (12,158)</u>	<u>\$ -</u>	<u>\$ (37,351)</u>

CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit I-8

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Property Taxes:			
General	\$ 109,075	\$ 101,385	\$ (7,690)
Provision for Employees' Retirement	40,188	40,188	\$ -
Total Property Taxes	<u>149,263</u>	<u>141,573</u>	<u>(7,690)</u>
Other Taxes:			
Payment in lieu of taxes	1,200	991	(209)
Interest on city tax certificates and other taxes	<u>2,725</u>	<u>3,848</u>	<u>1,123</u>
Total Other Taxes	<u>3,925</u>	<u>4,839</u>	<u>914</u>
Licenses and Permits:			
Licenses:			
Business and occupational	4,326	4,552	226
Other	120	119	(1)
Permits:			
Building	6,930	6,536	(394)
Zoning	273	313	40
Other	<u>1,262</u>	<u>1,398</u>	<u>136</u>
Total Licenses and Permits	<u>12,911</u>	<u>12,918</u>	<u>7</u>
Intergovernmental:			
State Shares Revenues:			
State shared taxes	237,662	237,699	37
Local street aids	26,320	26,367	47
Payment for municipal services	2,350	2,226	(124)
Other	<u>4,932</u>	<u>4,808</u>	<u>(124)</u>
Total Intergovernmental	<u>271,264</u>	<u>271,100</u>	<u>(164)</u>
Charges for Services:			
General government	12,994	12,589	(405)
Public safety	14,138	17,998	3,860
Public works	49,816	53,348	3,532
Health	756	644	(112)
Culture and recreation	1,904	1,443	(461)
Conservation and development	<u>517</u>	<u>388</u>	<u>(129)</u>
Total Charges for Services	<u>80,125</u>	<u>86,410</u>	<u>6,285</u>
Fines and Forfeits:			
Court and contract forfeitures	5,502	5,250	(252)
Other	-	27	27
Total Fines and Forfeits	<u>5,502</u>	<u>5,277</u>	<u>(225)</u>
Other:			
Interest on temporary investments	8,000	3,453	(4,547)
Miscellaneous	<u>7,443</u>	<u>9,411</u>	<u>1,968</u>
Total Other	<u>15,443</u>	<u>12,864</u>	<u>(2,579)</u>
Total	<u>\$ 538,433</u>	<u>\$ 534,981</u>	<u>\$ (3,452)</u>
See accompanying independent auditors' report.			

CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008
(Thousands of Dollars)

Exhibit I-9

		2008 Actual				
	Final Budget	Salaries and Wages	Other Operating Costs	Equipment	Total	Variance - Favorable (Unfavorable)
General Government:						
Zoning Appeals	\$ 258	\$ 172	\$ 56	\$ 5	\$ 233	\$ 25
Mayor	889	834	33	5	872	17
Common Council - City Clerk	6,634	5,004	1,283	121	6,408	226
Municipal Court	3,217	2,028	1,145	33	3,206	11
City Attorney	10,924	4,697	5,621	57	10,375	549
Administration	7,233	4,967	2,043	16	7,026	207
Employee Relations	113,895	3,200	109,785	3	112,988	907
Election Commission	2,316	892	1,405	-	2,297	19
Comptroller	25,567	3,224	22,063	7	25,294	273
City Treasurer	2,734	1,536	1,173	6	2,715	19
Assessor's Office	3,501	3,063	431	-	3,494	7
Employee's Retirement	18,440	140	17,767	-	17,907	533
Interest Expense	6,189	-	6,189	-	6,189	-
Non-departmental - unallocated ...	1	-	-	-	-	1
Total General Government	201,798	29,757	168,994	253	199,004	2,794
Public Safety:						
Fire and Police Commission	586	485	63	8	556	30
Fire Department	80,654	75,976	4,531	147	80,654	-
Police Department	173,385	157,684	12,721	2,829	173,234	151
Neighborhood Services	12,104	8,045	3,828	53	11,926	178
Total Public Safety	266,729	242,190	21,143	3,037	266,370	359
Public Works:						
General Office	3,615	2,813	697	48	3,558	57
Infrastructure	21,770	13,359	8,327	67	21,753	17
Operations	75,236	41,351	34,981	1,506	77,838	(2,602)
Total Public Works	100,621	57,523	44,005	1,621	103,149	(2,528)
Health	10,279	8,186	1,930	2	10,118	161
Culture and Recreation:						
Public Library	17,127	12,767	2,094	1,921	16,782	345
Conservation and Development:						
Department of City Development .	3,485	2,403	1,053	-	3,456	29
Total	\$ 600,039	\$ 352,826	\$ 239,219	\$ 6,834	\$ 598,879	\$ 1,160

See accompanying independent auditors' report.

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CITY OF MILWAUKEE
NET ASSETS BY COMPONENT
 LAST SEVEN YEARS
(Accrual Basis of Accounting) (Thousands of Dollars)

Table 1

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental activities					
Invested in capital assets,					
net of related debt	\$ 392,967	\$ 420,357	\$ 444,873	\$ 492,841	\$ 500,045
Restricted	135,885	104,600	110,417	109,149	115,803
Unrestricted	<u>(97,970)</u>	<u>(99,195)</u>	<u>(159,507)</u>	<u>(196,677)</u>	<u>(200,581)</u>
Total governmental activities net assets ...	<u>430,882</u>	<u>425,762</u>	<u>395,783</u>	<u>405,313</u>	<u>415,267</u>
Business-type activities					
Invested in capital assets,					
net of related debt	506,502	518,861	529,213	560,899	554,966
Restricted	3,715	26,329	8,123	8,383	8,748
Unrestricted	<u>67,505</u>	<u>58,061</u>	<u>89,077</u>	<u>63,657</u>	<u>82,725</u>
Total business-type activities net assets ...	<u>577,722</u>	<u>603,251</u>	<u>626,413</u>	<u>632,939</u>	<u>646,439</u>
Primary government					
Invested in capital assets,					
net of related debt	899,469	939,218	974,086	1,053,740	1,055,011
Restricted	139,600	130,929	118,540	117,532	124,551
Unrestricted	<u>(30,465)</u>	<u>(41,134)</u>	<u>(70,430)</u>	<u>(133,020)</u>	<u>(117,856)</u>
Total primary government net assets	<u>\$ 1,008,604</u>	<u>\$ 1,029,013</u>	<u>\$ 1,022,196</u>	<u>\$ 1,038,252</u>	<u>\$ 1,061,706</u>
	Fiscal Year				
	2007	2008			
Governmental activities					
Invested in capital assets,					
net of related debt	\$ 558,328	\$ 559,343			
Restricted	116,516	143,951			
Unrestricted	<u>(298,676)</u>	<u>(396,139)</u>			
Total governmental activities net assets ...	<u>376,168</u>	<u>307,155</u>			
Business-type activities					
Invested in capital assets,					
net of related debt	581,594	607,122			
Restricted	9,528	10,935			
Unrestricted	<u>60,566</u>	<u>47,065</u>			
Total business-type activities net assets ...	<u>651,688</u>	<u>665,122</u>			
Primary government					
Invested in capital assets,					
net of related debt	1,139,922	1,166,465			
Restricted	126,044	154,886			
Unrestricted	<u>(238,110)</u>	<u>(349,074)</u>			
Total primary government net assets	<u>\$ 1,027,856</u>	<u>\$ 972,277</u>			
Note: The city began to report accrual information when it implemented GASB Statement No. 34 in 2002.					

CITY OF MILWAUKEE
CHANGES IN NET ASSETS
 LAST SEVEN YEARS
(Accrual Basis of Accounting) (Thousands of Dollars)

Table 2

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental Activities							
General government	\$ 159,681	\$ 166,270	\$ 177,761	\$ 180,975	\$ 179,647	\$ 204,724	\$ 208,608
Public safety	229,167	257,207	241,027	263,852	263,608	297,711	314,935
Public works	132,198	137,693	150,591	155,048	154,644	157,701	174,629
Health	22,125	24,679	27,251	27,036	27,316	23,102	20,830
Culture and recreation	22,924	19,520	29,014	19,931	21,506	21,298	20,639
Conservation and development	50,828	64,197	57,967	57,245	66,092	70,025	61,693
Capital contribution to Milwaukee Public							
Schools	18,725	8,904	15,686	18,002	14,028	2,788	6,474
Contributions	20,378	22,499	20,582	25,465	25,412	21,915	22,177
Interest on long-term debt	29,908	26,981	24,159	22,589	32,131	30,536	28,368
Total Governmental Activities Expenses.....	<u>685,934</u>	<u>727,950</u>	<u>744,038</u>	<u>770,143</u>	<u>784,384</u>	<u>829,800</u>	<u>858,353</u>
Business-type Activities							
Water	52,821	56,554	54,030	58,230	58,074	62,064	64,562
Sewer Maintenance	24,214	26,440	24,361	26,096	26,605	29,928	29,167
Parking	21,893	21,438	22,283	22,369	22,609	24,025	25,078
Other activities	33,924	34,936	34,214	34,789	35,603	37,927	44,401
Total Business-type Activities	<u>132,852</u>	<u>139,368</u>	<u>134,888</u>	<u>141,484</u>	<u>142,891</u>	<u>153,944</u>	<u>163,208</u>
Total Primary Government Expenses	<u>818,786</u>	<u>867,318</u>	<u>878,926</u>	<u>911,627</u>	<u>927,275</u>	<u>983,744</u>	<u>1,021,561</u>
Program Revenues							
Governmental activities							
Charges for services							
General government	14,411	10,822	10,460	11,049	12,174	12,408	12,589
Public safety	8,081	8,348	13,153	13,888	13,522	15,121	17,998
Public works	31,652	32,777	33,305	35,382	44,722	45,855	53,348
Health	877	890	911	693	667	798	644
Culture and recreation	2,308	2,366	2,412	1,808	1,892	1,888	1,443
Conservation and development	420	511	584	590	551	426	388
Operating grants and contributions	89,217	94,646	82,664	87,718	91,271	75,074	77,032
Total Governmental Activities							
Program Revenues.....	<u>146,966</u>	<u>150,360</u>	<u>143,489</u>	<u>151,128</u>	<u>164,799</u>	<u>151,570</u>	<u>163,442</u>
Business-type Activities							
Charges for services							
Water	74,300	74,136	71,579	71,903	69,636	72,808	73,731
Sewer Maintenance	28,007	32,657	30,959	31,072	34,261	37,756	40,724
Parking	37,735	39,279	41,470	38,961	40,736	39,730	43,961
Other activities	33,416	34,363	33,631	36,395	35,489	37,199	45,096
Capital grants and contributions	1,108	2,053	2,236	1,850	7,780	6,062	10,203
Total Business-type Activities							
Program Revenues.....	<u>174,566</u>	<u>182,488</u>	<u>179,875</u>	<u>180,181</u>	<u>187,902</u>	<u>193,555</u>	<u>213,715</u>
Total Primary Government							
Program Revenues	<u>321,532</u>	<u>332,848</u>	<u>323,364</u>	<u>331,309</u>	<u>352,701</u>	<u>345,125</u>	<u>377,157</u>
Net (Expense)/Revenue							
Governmental Activities	(538,968)	(577,590)	(600,549)	(619,015)	(619,585)	(678,230)	(694,911)
Business-type Activities	41,714	43,120	44,987	38,697	45,011	39,611	50,507
Total primary government net expense	<u>(497,254)</u>	<u>(534,470)</u>	<u>(555,562)</u>	<u>(580,318)</u>	<u>(574,574)</u>	<u>(638,619)</u>	<u>(644,404)</u>

CITY OF MILWAUKEE
CHANGES IN NET ASSETS
LAST SEVEN YEARS

(Accrual Basis of Accounting) (Thousands of Dollars)

Table 2 (continued)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Assets							
Governmental Activities							
Taxes	\$ 207,944	\$ 213,014	\$ 217,762	\$ 224,918	\$ 236,043	\$ 243,654	\$ 257,210
State aids for General Fund	283,068	284,565	273,865	272,875	272,417	272,539	271,100
Grants and contributions not restricted to specific programs							
Miscellaneous	57,999	56,815	56,321	82,796	87,510	84,042	61,492
Special item - receipt of loans receivable	-	-	-	14,325	-	-	-
Transfers	11,151	18,073	22,622	33,631	33,569	36,483	38,509
Total Governmental Activities	<u>560,162</u>	<u>572,467</u>	<u>570,570</u>	<u>628,545</u>	<u>629,539</u>	<u>636,718</u>	<u>628,311</u>
Business-type Activities							
Miscellaneous	686	482	797	1,460	2,058	2,121	979
Transfers	(11,151)	(18,073)	(22,622)	(33,631)	(33,569)	(36,483)	(38,052)
Total Business-type Activities	<u>(10,465)</u>	<u>(17,591)</u>	<u>(21,825)</u>	<u>(32,171)</u>	<u>(31,511)</u>	<u>(34,362)</u>	<u>(37,073)</u>
Total Primary Government	<u>549,697</u>	<u>554,876</u>	<u>548,745</u>	<u>596,374</u>	<u>598,028</u>	<u>602,356</u>	<u>591,238</u>
Change in Net Assets							
Governmental Activities	21,194	(5,123)	(29,979)	9,530	9,954	(41,512)	(66,600)
Business-type Activities	31,249	25,529	23,162	6,526	13,500	5,249	13,434
Total Primary Government	<u>\$ 52,443</u>	<u>\$ 20,406</u>	<u>\$ (6,817)</u>	<u>\$ 16,056</u>	<u>\$ 23,454</u>	<u>\$ (36,263)</u>	<u>\$ (53,166)</u>

Note: The city began to report accrual information when it implemented GASB Statement No. 34 in 2002.

CITY OF MILWAUKEE
FUND BALANCES, GOVERNMENTAL FUNDS
 LAST SEVEN YEARS
(Modified Accrual Basis of Accounting) (Thousands of Dollars)

Table 3

	Year				
	2002	2003	2004	2005	2006
General Fund					
Reserved	\$ 86,010	\$ 89,981	\$ 87,036	\$ 85,227	\$ 105,175
All Other Governmental Funds					
Reserved	\$ 161,094	\$ 135,708	\$ 135,777	\$ 148,440	\$ 171,682
Unreserved, reported in:					
Capital projects funds	(11,897)	(11,468)	(13,116)	(15,093)	(14,400)
Nonmajor governmental funds	-	-	(4,177)	10,497 *	8,154
Total all other governmental funds	\$ 149,197	\$ 124,240	\$ 118,484	\$ 143,844	\$ 165,436
	Year				
	2007	2008			
General Fund					
Reserved	\$ 90,853	\$ 73,007			
All Other Governmental Funds					
Reserved	\$ 90,812	\$ 154,448			
Unreserved, reported in:					
Capital projects funds	(12,951)	(39,071)			
Nonmajor governmental funds	16,357	14,469			
Total all other governmental funds	\$ 94,218	\$ 129,846			

Note: The city began to report accrual information when it implemented GASB Statement No. 34 in 2002.

CITY OF MILWAUKEE
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 LAST SEVEN YEARS
(Modified Accrual Basis of Accounting) (Thousands of Dollars)

Table 4

	Year						
	2002	2003	2004	2005	2006	2007	2008
Revenues:							
Property taxes	\$ 183,697	\$ 197,499	\$ 198,938	\$ 205,205	\$ 214,833	\$ 221,082	\$ 227,637
Other taxes	16,579	16,336	19,284	20,461	20,910	20,867	27,746
Special assessments	4,053	4,482	4,665	4,651	3,823	3,542	3,631
Licenses and permits	10,814	10,883	11,530	13,374	13,729	13,704	12,918
Intergovernmental	356,730	362,778	337,058	355,406	345,078	336,870	333,345
Charges for services	63,726	61,478	66,409	68,762	84,191	79,754	88,224
Fines and forfeits	5,210	6,115	5,647	5,893	5,541	5,800	5,277
Contributions received	21,107	22,499	22,236	25,187	25,807	22,270	21,532
Other	26,806	24,040	24,811	32,333	44,169	43,990	33,563
Total Revenues	<u>688,722</u>	<u>706,110</u>	<u>690,578</u>	<u>731,272</u>	<u>758,081</u>	<u>747,879</u>	<u>753,873</u>
Expenditures:							
Current:							
General government	183,046	189,789	203,331	209,446	206,581	225,893	224,444
Public safety	227,416	259,379	241,100	262,934	267,669	268,456	279,934
Public works	92,028	91,406	93,047	92,701	90,539	97,778	109,196
Health	22,219	24,696	27,365	26,970	27,782	22,288	20,748
Culture and recreation	20,893	19,031	19,736	19,162	20,409	19,714	18,858
Conservation and development	40,113	38,519	34,629	32,079	34,801	30,954	31,796
Capital outlay	93,515	107,829	104,842	138,839	145,095	127,336	114,825
Debt Service:							
Principal retirement	76,046	73,696	68,618	81,206	146,721	152,077	181,102
Interest	28,980	28,250	28,620	29,593	34,798	35,360	33,637
Bond issuance costs	1,104	542	411	887	484	78	147
Total Expenditures	<u>785,360</u>	<u>833,137</u>	<u>821,699</u>	<u>893,817</u>	<u>974,879</u>	<u>979,934</u>	<u>1,014,687</u>
Excess (deficiency) of Revenues over Expenditures	(96,638)	(127,027)	(131,121)	(162,545)	(216,798)	(232,055)	(260,814)
Other Financing Sources (Uses):							
General obligation bonds and notes issued	101,838	81,901	89,331	126,828	215,763	102,928	237,368
Refunding bonds issued	138,044	16,563	-	28,112	1,785	-	-
Payment to refunded bond escrow agent	(150,999)	(17,648)	-	(30,492)	-	-	-
Payment - current refunding	-	-	-	-	(1,819)	-	-
Loans receivable activities	-	-	-	-	1,007	4,975	(518)
Issuance premium	19,313	6,589	10,467	13,692	8,033	2,129	3,694
Capital lease	-	563	-	-	-	-	-
Transfers in	47,776	50,318	57,312	71,699	139,533	145,447	201,073
Transfers out	(36,625)	(32,245)	(34,690)	(38,068)	(105,964)	(108,964)	(163,021)
Total Other Financing Sources and Uses	<u>119,347</u>	<u>106,041</u>	<u>122,420</u>	<u>171,771</u>	<u>258,338</u>	<u>146,515</u>	<u>278,596</u>
Special Item:							
Receipt of loans receivable	-	-	-	14,325	-	-	-
Net Change in Fund Balances	<u>\$ 22,709</u>	<u>\$ (20,986)</u>	<u>\$ (8,701)</u>	<u>\$ 23,551</u>	<u>\$ 41,540</u>	<u>\$ (85,540)</u>	<u>\$ 17,782</u>
Debt service as a percentage of noncapital expenditures	<u>14.7%</u>	<u>13.2%</u>	<u>12.6%</u>	<u>13.6%</u>	<u>20.5%</u>	<u>20.7%</u>	<u>22.5%</u>

CITY OF MILWAUKEE
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN YEARS
(Thousands of Dollars)

Table 5

Budget Year	Real Estate			Personal Property		
	Residential Property	Commercial Property	Manufacturing Property	Machinery Tools Patterns	Furniture Fixtures & Equipment	All Other
1999	\$ 9,093,198	\$ 5,123,443	\$ 625,806	\$ 225,321	\$ 913,644	\$ 90,702
2000	9,163,659	5,103,186	633,182	205,861	566,871	101,091
2001	10,292,623	5,612,522	741,472	218,677	621,414	96,287
2002	10,358,671	5,716,180	717,831	215,683	597,457	93,962
2003	12,027,395	6,176,332	765,130	205,531	593,878	97,989
2004	12,938,633	6,493,805	729,858	187,208	560,426	99,587
2005	14,301,662	6,903,490	733,600	178,275	558,290	97,103
2006	16,116,818	7,547,715	721,966	185,601	541,831	108,218
2007	18,211,504	8,498,283	740,265	212,808	577,964	114,128
2008	18,753,915	8,950,205	726,692	220,073	578,674	144,790
						Ratio of Total Assessed to Total Estimated Actual Value
Budget Year	Total Taxable Assessed Value		Total Direct Tax Rate	Estimated Actual Taxable Value		
1999	\$ 16,072,114		\$ 9.71	\$ 16,228,218		99.0
2000	15,773,850		9.69	16,701,225		94.4
2001	17,582,995		10.49	17,344,251		101.4
2002	17,699,784		10.87	19,453,830		90.9
2003	19,866,255		10.15	20,298,387		97.9
2004	21,009,517		9.73	21,730,754		96.7
2005	22,772,420		9.19	23,491,774		96.9
2006	25,222,149		8.75	26,256,714		96.1
2007	28,354,952		7.99	30,226,985		93.8
2008	29,374,373		8.00	31,887,192		92.1
Source: The Assessed Values are established by the City of Milwaukee Assessor's Office and are used to calculate property taxes. The Estimated Actual (Equalized) Values are provided by the State Supervisor of Assessments. State law requires all assessments to be within 10% of the equalized value ratio at lease once every four year period.						
Note: Beginning with the year 2002, property is reassessed each year. Prior to 2002 property was reassessed every two years.						

CITY OF MILWAUKEE
DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST TEN YEARS
(Rate per \$1,000 of assessed value)

Table 6

	Budget Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
City Direct Rates (A)										
City of Milwaukee	\$ 9.20	\$ 9.12	\$ 9.86	\$ 10.22	\$ 9.51	\$ 9.22	\$ 8.52	\$ 8.08	\$ 7.28	\$ 7.46
Allocation of Debt Service incurred for Schools	<u>0.51</u>	<u>0.57</u>	<u>0.63</u>	<u>0.65</u>	<u>0.64</u>	<u>0.51</u>	<u>0.64</u>	<u>0.67</u>	<u>0.71</u>	<u>0.55</u>
Total Direct Rate	9.71	9.69	10.49	10.87	10.15	9.73	9.16	8.75	7.99	8.01
Overlapping Rates (B)										
Milwaukee School Board	9.44	8.95	8.81	9.11	8.55	8.12	8.84	8.35	7.48	7.96
Less: allocation of Debt Service in City rate	<u>(0.51)</u>	<u>(0.57)</u>	<u>(0.63)</u>	<u>(0.65)</u>	<u>(0.64)</u>	<u>(0.51)</u>	<u>(0.64)</u>	<u>(0.67)</u>	<u>(0.71)</u>	<u>(0.55)</u>
Total School Rate	8.93	8.38	8.18	8.46	7.91	7.61	8.20	7.68	6.77	7.41
Milwaukee Area District Board of Vocational, Technical and Adult Education	2.01	2.16	2.00	2.23	2.05	2.04	2.00	1.96	1.89	1.92
County of Milwaukee	5.72	5.82	5.46	5.91	5.20	4.94	4.70	4.43	4.18	4.22
State of Wisconsin	0.20	0.21	0.20	0.22	0.20	0.21	0.21	0.20	0.19	0.19
Milwaukee Metropolitan Sewerage District	<u>1.72</u>	<u>1.80</u>	<u>1.68</u>	<u>1.87</u>	<u>1.74</u>	<u>1.64</u>	<u>1.59</u>	<u>1.48</u>	<u>1.39</u>	<u>1.39</u>
Total Tax Rate (C)	<u>\$ 28.29</u>	<u>\$ 28.06</u>	<u>\$ 28.01</u>	<u>\$ 29.56</u>	<u>\$ 27.25</u>	<u>\$ 26.17</u>	<u>\$ 25.86</u>	<u>\$ 24.50</u>	<u>\$ 22.41</u>	<u>\$ 23.14</u>

(A) State law prohibits the City from raising property taxes more than 2% plus 60% growth of new development.

(B) Overlapping rates are those of local and county governments that apply to property owners within the City of Milwaukee.

(C) Tax rates were constructed considering the provision of the tax incremental district law. The application of these rates to the applicable assessed values will provide a tax yield higher than the levy.

Table 7

144

Table 8

145

CITY OF MILWAUKEE
RATIOS OF OUTSTANDING DEBT BY TYPE,
 LAST TEN YEARS
(Dollars in Thousands, except per capita)

Table 9

<u>Year</u>	<u>Governmental Activities</u>			<u>Estimated Actual Taxable Value of Property</u>	<u>Percentage of Total Taxable Value of Property</u>	<u>Per Capita</u>
	<u>General Obligation Bonds and Notes</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>			
1999	\$ 473,089	\$ 31,322	\$ 441,767	\$ 16,228,218	2.72%	\$ 726.41
2000	522,503	30,436	492,067	16,701,225	2.95%	812.57
2001	566,429	42,137	524,292	17,344,251	3.02%	880.41
2002	591,155	40,466	550,689	19,453,830	2.83%	924.04
2003	598,275	35,365	562,910	20,298,387	2.77%	945.68
2004	618,988	43,807	575,181	21,730,754	2.65%	968.45
2005	664,285	44,207	620,078	23,491,774	2.64%	1,046.08
2006	733,327	52,284	681,043	26,256,714	2.59%	1,153.59
2007	669,404	56,778	612,626	30,226,985	2.03%	1,038.01
2008	725,670	59,849	665,821	31,887,192	2.09%	1,126.85

<u>Year</u>	<u>Business-Type Activities</u>			<u>Total Primary Government</u>	<u>Percentage of Personal Income (A)</u>	<u>Per Capita (A)</u>
	<u>General Obligation Bonds and Notes</u>	<u>Revenue Bonds</u>	<u>State Loans (Revenue Bonds)</u>			
1999	\$ 86,010	\$ 17,560	\$ -	\$ 545,337	2.14%	\$ 896.71
2000	82,737	16,773	-	591,577	2.23%	976.89
2001	76,954	45,124	-	646,370	2.30%	1,085.41
2002	68,394	44,426	-	663,509	2.31%	1,113.35
2003	61,807	76,528	-	701,245	2.41%	1,178.08
2004	53,943	74,690	-	703,814	2.36%	1,185.03
2005	46,125	71,476	-	737,679	2.39%	1,244.47
2006	74,135	68,150	-	823,328	2.53%	1,394.60
2007	58,936	64,711	14,369	750,642	2.20%	1,271.86
2008	34,970	61,170	49,653	811,614	not available	1,373.59

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements and in the Miscellaneous Financial Data Section.

(A) See Table 13 for personal income and population data

CITY OF MILWAUKEE
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
December 31, 2008
(Thousands of Dollars)

Table 10

Name of Government Unit	Net Debt Outstanding	Percentage Applicable to City of Milwaukee (C)	City of Milwaukee's Share of Debt
Debt Repaid with property taxes			
Direct Debt:			
City of Milwaukee (A)	\$ 689,401	100%	\$ 689,401
Overlapping Debt:			
Milwaukee Area Technical College District	61,627	39.05	24,065
County of Milwaukee	440,915	47.56	209,699
Milwaukee Metropolitan Sewerage Area (B)	906,721	48.64	<u>441,029</u>
Total Direct and Overlapping Debt			<u>\$ 1,364,194</u>
Sources: Estimated Actual (Equalized) Values used to estimate applicable percentages provided by the State Supervisor of Assessments. Debt outstanding data provided by each governmental unit.			
Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Milwaukee. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.			
(A)	Excludes \$62,638 of Industrial Revenue Bonds. Includes debt incurred to finance Milwaukee School Board construction.		
(B)	Includes \$605,576 low interest loan from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the District.		
(C)	The percentage of overlapping debt applicable is estimated using estimated actual (equalized) property values. Applicable percentages were estimated by determining the portion of the City's equalized value.		

Table 11

148

CITY OF MILWAUKEE
LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years
 (Thousand of Dollars)

Table 11 (continued)

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed Value		<u>\$ 29,374,373</u>
Equalized Value		<u>31,887,192</u>
Debt Limit 7% of Equalized Value		2,232,103
Amount of Debt Applicable to Debt Limit:		
General Obligation bonds	\$ 415,634	
General Obligation notes	310,037	
Parking bonds and notes	10,743	
Harbor bonds and notes	3,243	
Water Works bonds	17,050	
Sewer Maintenance bonds and notes..	3,934	
Water Works revenue bonds	10,315	
Sewer revenue bonds	<u>50,855</u>	
Total Debt		\$ 821,811
Deduct:		
Assets in Debt Service Funds	71,240	
Water Works revenue bonds (A)	10,315	
Sewer revenue bonds	<u>50,855</u>	
Total Deductions		<u>132,410</u>
Total Amount of Debt Applicable to Debt Limit		<u>689,401</u>
Legal Debt Margin		<u>\$ 1,542,702</u>

(A) The Water Revenue Bonds and Sewer Revenue Bonds are payable only from the income and revenues derived from the operations of the water system and sewer system, respectively. These bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or provision.

Note: State Statutes (67.03 and 119.49) limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. However, it may be reduced in any year by the amount of any surplus money in the debt service fund. The statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. The legal debt margin as of December 31, 2008 was \$637,744 for school purposes and \$904,958 for general purposes.

CITY OF MILWAUKEE
PLEDGED-REVENUE COVERAGE
 LAST TEN YEARS
(Thousands of Dollars)

Table 12

Water Revenue Bonds							
Year	Gross Revenues	Debt Coverage Expenses	Net Available Revenue	Debt Service		Total Debt Service	Coverage
				Principal	Interest		
1999	\$ 56,556	\$ 41,313	\$ 15,243	\$ -	\$ 300	\$ 300	50.81
2000	63,188	42,046	21,142	787	446	1,233	17.15
2001	62,328	41,824	20,504	744	433	1,177	17.42
2002	74,245	37,948	36,297	763	414	1,177	30.84
2003	74,161	42,072	32,089	782	394	1,176	27.29
2004	71,546	47,884	23,662	803	373	1,176	20.12
2005	72,661	51,953	20,708	824	352	1,176	17.61
2006	71,149	51,365	19,784	846	330	1,176	16.82
2007	74,211	55,514	18,697	868	307	1,175	15.91
2008	74,207	58,960	15,247	891	284	1,175	12.98
Sewer Revenue Bonds							
Year	Gross Revenues	Debt Coverage Expenses	Net Available Revenue	Debt Service		Total Debt Service	Coverage
				Principal	Interest		
2001	\$ 18,899	\$ 14,093	\$ 4,806	\$ -	\$ 113	\$ 113	42.53
2002	28,307	15,283	13,024	-	1,357	1,357	9.60
2003	32,792	14,722	18,070	1,000	1,340	2,340	7.72
2004	31,279	13,557	17,722	1,035	2,827	3,862	4.59
2005	31,390	15,022	16,368	2,390	2,762	5,152	3.18
2006	34,630	14,834	19,796	2,480	2,667	5,147	3.85
2007	38,170	17,747	20,423	2,570	2,575	5,145	3.97
2008	41,033	16,334	24,699	2,650	2,487	5,137	4.81
Note: Water Revenue Bonds issued in 1998. Sewer Revenue bonds issued in 2001.							
Details regarding the City's outstanding debt can be found in the notes to the financial statements. Gross revenues include nonoperating interest income. Operating expenses do not include interest, depreciation, or amortization expenses, but does include the transfer for Payment in Lieu of Taxes.							

CITY OF MILWAUKEE
DEMOGRAPHIC AND ECONOMIC STATISTICS,
 LAST TEN CALENDAR YEARS

Table 13

Year	Population (A)	County of Milwaukee		Median Age (D)	School Enrollment (E)	Unemployment Rate (F)
		Personal Income (Thousands of Dollars (B))	Per Capita Income (C)			
1999	608,150	25,533,958	27,149	30.3	105,374	4.9%
2000	605,572	26,520,952	28,222	30.6	103,541	5.9
2001	595,508	28,125,424	29,802	30.6	103,397	7.4
2002	595,958	28,737,661	30,355	30.6	103,464	8.9
2003	595,245	29,139,237	30,698	30.6	103,769	7.9
2004	593,920	29,863,926	31,428	30.6	102,309	6.8
2005	592,765	30,715,138	32,357	30.6	100,262	6.5
2006	590,370	32,460,313	34,121	30.6	97,509	6.5
2007	590,190	34,107,037	35,852	30.6	87,360	6.5
2008	590,870	Not available	Not available	36.0	85,369	7.9
(A)	The December 31, 1999 through 2008 populations are estimated from the Wisconsin Department of Revenue used in the distribution of State Shared Taxes. 2007 and 2008 is from the Wisconsin Department of Administration estimates. (The population data differs from the Census Bureau.)					
(B)	Personal income is from the Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce. Personal income includes all of Milwaukee County because a substantial portion of the County is made up of the City of Milwaukee.					
(C)	Per capita personal income is from the Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce and includes all of Milwaukee County because a substantial portion of the County is made up of the City of Milwaukee.					
(D)	Median age of the population is determined only during a census. These figures represent the data collected by 2000 Regular Census.					
(E)	Annual School Census by Board of School Directors. Represents Public Schools only.					
(F)	State of Wisconsin, Department of Workforce Development.					

Table 14

152

CITY OF MILWAUKEE
CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAMS - ADOPTED BUDGET POSITIONS
 LAST TEN YEARS

Table 15

Functions/Programs	Adopted budgeted positions for the year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government	814	803	748	747	727	685	678	673	692	696
Temporary - Election Commission	1,321	1,711	1,338	103	65	103	63	103	29	104
Public Safety										
Fire										
Fire Fighting Force	1,056	1,077	1,077	1,075	1,079	1,039	1,033	1,007	1,077	1,001
Civilians	64	63	66	66	67	64	74	75	75	75
Police										
Law Enforcement	2,174	2,138	2,135	2,130	2,134	2,149	2,155	2,159	2,156	2,156
Civilian	595	554	546	582	576	563	564	567	613	606
School Crossing Guards	241	241	241	241	241	241	241	241	241	241
Neighborhood Services	291	277	280	288	216	223	227	224	228	229
Public Works										
Administrative Services	66	71	73	71	69	64	65	65	64	63
Infrastructure Services	815	801	786	783	783	728	711	703	698	696
Operations	1,883	1,820	1,824	1,814	1,755	1,619	1,606	1,588	1,577	1,530
Sanitation emergency	500	500	500	500	500	250	-	-	-	-
Winter relief	262	262	262	262	237	159	74	66	66	66
Health	378	374	368	377	367	359	345	326	337	312
Culture and recreation	419	446	447	449	445	409	409	402	398	396
Conservation and development	310	300	287	271	325	252	238	236	232	220
Youth initiative positions	528	-	-	-	-	-	-	25	25	25
Water	443	412	400	388	382	363	363	355	346	346
Sewer Maintenance	190	190	191	193	209	198	198	199	189	179
Parking	32	99	125	128	128	128	128	129	128	129
Port of Milwaukee	<u>35</u>	<u>35</u>	<u>35</u>	<u>35</u>	<u>34</u>	<u>33</u>	<u>29</u>	<u>30</u>	<u>31</u>	<u>35</u>
Subtotal	12,417	12,174	11,729	10,503	10,339	9,629	9,201	9,173	9,202	9,105
Less: General Government										
Temporary - Election Commission	<u>(1,321)</u>	<u>(1,711)</u>	<u>(1,338)</u>	<u>(103)</u>	<u>(65)</u>	<u>(103)</u>	<u>(63)</u>	<u>(103)</u>	<u>(29)</u>	<u>(104)</u>
Total Budgeted Positions	<u>11,096</u>	<u>10,463</u>	<u>10,391</u>	<u>10,400</u>	<u>10,274</u>	<u>9,526</u>	<u>9,138</u>	<u>9,070</u>	<u>9,173</u>	<u>9,001</u>

Source: Budget Office. Firefighters and Law Enforcement from Departmental reports.

Note: Beginning in 2004 Fire auxiliary positions were unfunded and therefore excluded. After 2001 temporary poll workers are no longer considered City employees.

**CITY OF MILWAUKEE
OPERATING INDICATORS BY FUNCTIONS/PROGRAMS
LAST TEN YEARS**

Table 16

Functions/Programs	Operating Indicators									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government										
Investment portfolio return	5.20%	6.14%	4.12%	1.70%	1.20%	1.50%	3.00%	4.78%	5.09%	2.74%
Courtroom cases				114,978	131,117	137,432	116,388	114,949	110,130	102,721
Public safety										
Police										
Dispatched assignments							292,927	297,286	286,535	266,577
Traffic citations	138,035	100,612	132,732	141,464	146,210	108,346	98,044	93,369	95,327	120,618
Homicide clearance rates	81.45%	80.99%	83.46%	78.70%	79.44%	80.68%	71.31%	71.84%	83.80%	92.96%
Fire										
Number of medical emergency assists							51,091	51,862	52,735	53,898
Number of fires extinguished							2,662	2,527	2,438	2,073
Civilian fire deaths							12	16	14	6
Building Inspection										
Complaints reported	34,291	33,443	33,985	30,096	31,479	31,284	34,078	34,431	33,576	34,161
Orders issued	26,695	33,306	42,144	41,762	44,042	44,564	55,443	54,976	52,729	51,760
Public Works										
Major streets paving (miles)	6.29	6.74	11.31	4.63	6.72	3.32	5.94	7.81	4.01	13.01
Asphalt patching/pot holes (tons)	9,350	9,409	10,360	10,500	10,459	10,236	10,014	10,344	10,560	14,900
Refuse tonnage	298,438	302,565	323,577	314,795	322,613	335,033	317,122	312,451	292,775	310,517
Recycling tonnage	32,268	29,137	28,544	27,270	26,101	25,802	25,483	25,300	23,716	22,937
Health										
Food inspections	6,454	4,805	4,920	4,622	4,420	4,113	4,889	5,153	4,972	4,721
Immunizations	30,366	29,756	26,912	23,490	18,941	15,302	22,794	27,444	26,700	30,449
Culture and Recreation										
Library hours of operation	36,229	36,229	36,229	36,229	35,842	36,552	33,339	33,218	34,302	34,372
Collections size	2,912,934	2,969,977	3,017,395	3,022,382	3,062,142	3,104,911	3,030,281	3,018,232	2,828,429	2,848,244
Public computers	379	449	454	454	474	488	481	495	490	505
Conservation and Development										
Jobs created	940	4,653	545	514	1,193	2,037	2,466	3,494	2,354	1,073
Jobs retained	2,488	1,813	2,203	1,925	1,321	14,108	2,775	9,182	2,092	2,103
New housing units							1,538	982	1,037	196
Water										
Millions gallons sold	41,901	41,730	40,813	39,970	36,473	37,237	38,439	35,486	35,049	34,085
Population served	846,388	833,322	831,850	831,979	830,719	833,112	852,857	849,981	858,920	857,816
Sewer Maintenance										
Sewer service backups	50	76	46	58	59	32	43	40	42	47
Street flooding complaints	3,889	5,538	4,428	2,728	2,500	1,724	4,143	4,810	3,366	7,238
Parking										
Citations issued	813,044	772,508	1,217,168	1,075,501	1,002,923	1,113,620	929,714	932,346	906,423	880,859
Vehicle tows	27,480	27,790	31,646	31,541	29,728	29,333	26,799	31,659	36,273	34,898
Port										
Metric tonnage total	2,528,200	2,509,752	2,927,447	2,724,231	2,654,876	2,923,364	3,424,827	3,481,541	3,568,929	2,931,125

Sources: Various city departments

Ten years of data was not available for all operating indicators, but will be accumulated as it becomes available.

Table 17

155